Saudi Arabia



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Department for International Trade

Allurentis is delighted to have been involved in association with the Department for International Trade and the Committee for International Trade on this, the third edition of Saudi Arabia - Discovering Business and would like to thank all sponsoring organisations for their kind contributions. We are confident that it will raise awareness with all readers and prove to be an invaluable resource, especially for those wishing to become involved in the extraordinary business opportunities and growth prospects within Saudi Arabia.

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Saudi Arabia is building a new economy beyond oil

As it faces the challenge of sharply reduced oil revenues, Saudi Arabia is building a new diversified economy which offers considerable opportunities for the participation of UK companies in a wide variety of sectors.

In 2015, UK firms shipped goods valued at around US$6.9 billion to the Kingdom, ranking Saudi Arabia as the UK's 14th most valuable import partner worldwide and its sixth most important outside Continental Europe. As the Kingdom's Ambassador to the UK, HRH Prince Mohammed bin Nawaf bin Abdulaziz Al Saud recently stated, Britain and Saudi Arabia have been allies for almost a century.

Saudi Arabia is the world's leading oil producer, with a capacity to supply more than 12 million bpd and it also ranks as one of the world's main refiners of crude oil. In a highly competitive oil market, the country is also a low cost producer of crude oil and well positioned to maintain its global market share.

Nevertheless, the Government realises petroleum revenues alone cannot be relied upon for future economic growth. As a result, the Kingdom is pursuing a fundamental restructuring process which focuses on building an economy not so dependent on oil exports.

The challenge is considerable but Saudi Arabia's economy is underpinned by decades of foreign exchange accumulations, which are mitigating the reduction in oil prices and the consequent fall of state income. As well as continuing to draw down on its sizeable financial reserves, the Kingdom is also issuing domestic and foreign debt.

While the Kingdom's budget deficit, totalling US$98 billion in 2015, is expected to remain high in 2016, at about 14% of GDP compared to 16% last year, the IMF says that the Government's fiscal policy is appropriately adjusting to the fall in oil prices.

The Saudi economy is stabilising with cuts in energy subsidies, reductions in public spending and a new approach to stimulate increased revenue streams from outside the oil sector, which has provided 90% of state income for decades. As a result, the Government is aiming to balance its budget by 2020.

> The Government put forward its plans for a bold and ambitious transformation of the Kingdom's economy in its Vision 2030 statement and National Transformation Programme, announced in April 2016.

The IMF forecasts that Saudi Arabia's GDP growth will slow down in 2016, to 1.2% but recover to 2% in 2017, and settle at 2.5% a year in the medium term, as Government expenditure eases. The IMF notes that the growth of credit to the Kingdom's private sector remains strong and banks are well positioned against loan losses.

In April 2016, Deputy Crown Prince Mohammed bin Salman Al Saud, announced moves to lessen the Kingdom's reliance on oil exports for revenue generation over the next 15 years. This policy calls for a reduction of energy subsidies, the introduction of a Value Added Tax, increased productivity in the state sector and incentives for the private sector to invest in new industries. The strategy has been described by the IMF as "an appropriately bold and far reaching transformation of Saudi Arabia's economy." Prince Mohammed has stated that "the opportunities we have are much bigger than the problems."

Saudi Arabia's huge foreign reserves, estimated by the IMF at around US$570 billion in March 2016, will remain a buffer against the impact of falling crude oil prices for several years to come, though relying on running down reserves is not a long term option. This is why the country's economy is to be restructured.

The Kingdom is now redefining the historic role played by oil in its economy as well as the dominant role of the state as the vehicle for development. Reforms that have been under discussion for decades are now beginning to be implemented.

In a significant move, the Public Investment Fund (PIF) is to take on a wider remit and is expected to become a US$2 trillion Sovereign Wealth Fund (SWF). As such, it could become a prominent investor in overseas assets. The PIF will also hold state assets such as Saudi Aramco. Up to 5% of the state oil company could be sold in an IPO of shares in the world's largest energy company as early as 2017. The PIF will also be able to raise debt for domestic investment to "help unlock strategic sectors requiring capital inputs," according to Saudi Arabia's Vision 2030 strategy.

Prince Mohammed has said that the SWF will join with private equity firms to seek up to 50% of its holdings abroad in non-oil related assets,

in order to generate sufficient dividends to drastically cut the share of oil revenues in the Kingdom's economic wellbeing.

The Government put forward its plans for a bold and ambitious transformation of the Kingdom's economy in its Vision 2030 statement and National Transformation Programme, announced in April 2016. A diversification of the economy, creation of jobs for nationals in the private sector and the implementation of a gradual but significant reduction in state expenditure, in order to reach a balanced budget in five years, are the main policy priorities.

The National Transformation Programme aims to increase the role of the private sector in the economy by focusing on privatisation and PPPs by improving the business environment, developing local capital markets, encouraging FDI and supporting SMEs.

A big shake up in corporate regulations is expected. The overhaul includes a new insolvency law which will represent the first modern bankruptcy framework in the region. The pace and scale of regulatory change in the Kingdom is substantial. In 2015, the Saudi stock market (the Tadawul) was opened to non-GCC investors, while a new Companies Law and a major overhaul of labour regulations were announced.

The National Transformation Programme is meaningful and it is being led by a high ranking younger generation of highly educated and influential Saudi officials, who intend to implement changes in bureaucratic practices with the Programme establishing strategic objectives with specific targets and reviews on achievement of these. The aim is to develop an action programme in Government departments.

The strategy is seeking an expansion of manufacturing activity, in order to push the private sector's contribution to 60% of GDP from 45% currently, and also crucially increase employment opportunities for young Saudis, both men and women. One element of the strategy is the building of industrial clusters around existing petrochemicals and petroleum industries and the exploitation of mineral ores such as phosphates and bauxite connecting these with downstream manufacturing enterprises.

HRH Prince Mohammed bin Nawaf bin Abdulaziz Al Saud

Kingdom of Saudi Arabia's Ambassador to the UK

Prince Mohammed bin Nawaf bin Abdulaziz Al Saud

It gives me great pleasure to provide this welcome message for the latest publication of Discovering Business in Saudi Arabia. I invite you to explore the many opportunities that exist to do business with and invest in, the business friendly Kingdom of Saudi Arabia.

Today we are one of the top twenty economies in the world and the largest economy in the MENA region, representing 38% of Arab GDP. We are not just proud members of the G20 but also of OPEC and the WTO. Our Kingdom is building on this strength and we have an enormous potential for growth. Indeed, according to a McKinsey Institute report, in the next 15 years to 2030, Saudi Arabia could potentially double its GDP, increase real household income by about 60% and create as many as six million new jobs. Such a GDP increase would amount to around US$800 billion.

There has never been a more exciting time for British businesses to invest in the Kingdom, with many opportunities now present that have never before been available, truly an historic investment opportunity. This is due to the release, by the Custodian of the Two Holy Mosques King Salman bin Abdulaziz Al Saud, of a comprehensive framework to strengthen and diversify our economy as the Kingdom moves into a post oil era.

Supporting Vision 2030, the National Transformation Programme framework will restructure Saudi Arabia's economy from a long-standing reliance on oil, towards a more diversified economic base and includes privatisation, reduction in subsidies, the proposed sale of part of Saudi Aramco, and the creation of a more than US$2 trillion Sovereign Wealth Fund.

Further key initiatives include boosting the private sector through national and international partnerships

> British businesses are well placed to benefit from these exciting new opportunities, given the strong and close alliance that exists between our countries.

in a wide range of areas, including technology and embarking on a major national infrastructure programme, with plans for extensive construction projects for housing, opening up the Saudi retail sector to greater foreign investment, with foreign companies now able to invest in the wholesale and retail sector with 100% ownership.

British businesses are well placed to benefit from these exciting new opportunities, given the strong and close alliance that exists between our countries. We have been strong friends and partners for over a hundred years, with our relationship ranging from security, business and investment to education, culture and the arts.

Saudi Arabia provides a strong, stable and secure business environment for investment, in an often unstable and uncertain region. This could be one of the reasons why there are already more than 200 joint ventures between our two countries, amounting to more than £11.5 billion, and why the Kingdom is Britain's primary trading partner in the Middle East. British businesses looking to invest in the Saudi market will be encouraged by existing UK exports which exceeded £5.5 billion last year and make the UK one of Saudi's top ten trading partners. Manufacturing companies around the UK are also selling to Saudi Arabia, creating thousands of jobs and ensuring British industry has a strong bond with our country.

To better facilitate such business interaction, Saudi Arabia and the United Kingdom have created an organisation focused purely on helping British businesses enter the Saudi market. The British Offset Project provides a range of services and benefits that facilitate the entry of British firms into the Saudi market. This builds on the work undertaken by the Saudi Chambers of Commerce in Saudi Arabia and the Arab British Chamber of Commerce in the UK.

Our embassy in London is also here to assist you and provide you with the information, guidance and advice you need to further your business interests in our Kingdom.

Saudi Arabia is opening its doors to business in a way that we never have before, and British businesses have a real chance to benefit from this and, in the process, strengthen our already close investment ties.

So I encourage you to utilise this publication to its full potential, read through it and identify those opportunities you can seize to be a part of the strong and enduring Saudi-United Kingdom business relationship.

HMA Simon Collis

British Ambassador to Saudi Arabia


HMA Simon Collis

Welcome to this edition of *Discovering Business in Saudi Arabia*. As we pass the first 100 years of relations between the UK and Saudi Arabia it is time to look ahead to the next century.

We start from a good place. Saudi Arabia is our largest trading partner in the Middle East. The Saudi market offers significant business opportunities for UK firms across a range of sectors including energy, infrastructure, transport, education, healthcare, financial and professional services and more. At present, UK exports of goods and services to Saudi Arabia have grown to £6.6 billion a year, and our imports are about £3.1 billion.

We are also the Kingdom's second largest cumulative investor, with approximately 200 joint ventures. Saudi investment in the UK is growing from traditional real estate to other sectors including chemicals, technology, retail and urban regeneration.

But we can do more. As Saudi Arabia launches Vision 2030 and the National Transformation Programme, the UK is strongly placed to be an active partner in core elements of the Vision including public-private partnership, educational reform, healthcare reform, promotion of tourism and creative industries and much more. There are a host of opportunities. You can find out more about them from the UK's Department of International Trade (DIT). The DIT network in Saudi Arabia has wide ranging sectoral expertise and offices in Riyadh, Jeddah and Al Khobar. The DIT team will be working to support Saudi companies to invest in the UK and UK companies looking to export to Saudi Arabia.

The UK remains the fifth largest economy in the world, the fastest growing economy in the G7, and the highest ranked major economy for ease of doing business. Britain remains a country with strong credentials as supporters of business. We are committed to maintaining a regulatory environment that works for businesses and customers alike with a competitive tax environment and the lowest corporation tax in the G7. We offer a world leading financial centre with the requisite human and capital infrastructure to support it. The UK is open for business and actively welcomes Saudi investors and entrepreneurs who wish to invest in Britain.

I hope you find this publication useful, invite you to contact our DIT team to discuss next steps, and wish you all the best in developing and growing your business in this important market.

Lord King of Bridgwater

Prime Minister's Trade Envoy to Saudi Arabia

Lord King of Bridgwater

I am very pleased to contribute this foreword to "Discovering Business in Saudi Arabia - 2016| 2017 ".

My first visit to the Kingdom of Saudi Arabia was more than 30 years ago, and I have seen for myself the tremendous changes that have taken place over that time. One thing that has been constant throughout this time has been the strong relationship between our two Kingdoms.

At this time we both face unprecedented challenges, in Saudi with the need for economic reform and a move away from the long term dependence on oil, in the UK with our impending departure from the European Union. The businesses that will succeed in these testing times are those that weather the stormy conditions, stick with it, and benefit all the more when things are calm again. This understanding of the importance of building long term relationships has been a notable feature of our trading history, and the lessons from it need remembering all the more in the present more uncertain time.

The particular challenge that we both face is the ever increasing pace of new technologies, and the accompanying challenge of good employment prospects of our young people. This is especially important in the Kingdom, with its rapidly rising population, and every British company seeking to do business there should give careful thought as to how they can encourage the maximum Saudi input into their proposals. A genuine effort to achieve maximum mutual benefits is the best step to establishing those long term relationships that can offer so much.

There are tremendous opportunities for British businesses in Saudi Arabia, and I look forward to continuing my work to help achieving them.


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Doing business in Saudi Arabia

Crowell & Moring

Saudi Arabia is the largest free market economy in the Middle East and North Africa, holding a 25% share of the total Arab GDP. The Kingdom's geographic location provides easy access to export markets in Europe, Asia and Africa. It has a continuously expanding domestic market (annual population growth of 3.5%), which is adding to a young and consuming population with strong buying power.

Saudi Arabia's investment environment reflects traditions of liberal, open market private enterprise policies and its Foreign Investment Law allows (subject to certain exceptions) 100% foreign ownership of projects and real estate. The Kingdom has an impressive record of political and economic stability and has a modern world class infrastructure.[1]

With these advantages, the Saudi market should be attractive to many investors. By way of a very general introduction to the Saudi market, we examine herein, in general terms, the structure of the Saudi regulatory environment, the incentives available to foreign investors investing in Saudi Arabia and certain Saudi tax issues.

1. Saudi Regulatory Environment

As with any entry into a foreign market, it is important to understand the regulatory environment which will affect your business operations. The Saudi regulatory environment consists primarily of three elements: Islamic law as enforced in Saudi Arabia (Shari'ah), Saudi legislation (Legislation), and regulators' policies and practices.

1.1. Shari'ah

Shari'ah consists of a collection of fundamental principles derived from a number of different sources, including the Holy Quran, the Sunnah (sayings of the Prophet Mohammed) and the works of Shari'ah scholars. Shari'ah is the supreme law of Saudi Arabia, and all

Legislation and regulators' policies and practices must be consistent with Shari'ah.

With certain exceptions, Shari'ah is not a codified set of laws in Saudi Arabia (although codification has been proposed), but consists largely of general principles. These principles are interpreted and applied by a court in the context of each individual case. As a result, Shari'ah is in many respects extremely flexible and able to deal with unique fact situations without amendment or update. While this flexibility allows Shari'ah to be very responsive, it does not always offer certainty. Such uncertainty is magnified by the fact that, as Shari'ah is not codified, different Saudi courts may apply Shari'ah principles differently and obtain different results.

1.2. Legislation

Periodically, the Saudi Government issues Legislation to supplement Shari'ah. Legislation is at all times and without exception subordinate to and subject to Shari'ah.

Unlike Shari'ah, Legislation is subject to amendment and repeal.

1.3. Policies and Practices

Saudi regulators have developed practices and policies which enable them to address issues (typically procedural) that are not anticipated by and not addressed by Legislation. These policies and practices are often unpublished and are subject to amendment and repeal without prior notice.

1.4. Language

Arabic is the official language of Saudi Arabia and the operating language of the Saudi Government. Accordingly, all Legislation, policies, practices, documents and correspondence issued by the Saudi Government are issued in Arabic. In some cases, materials issued by the Saudi Government may be issued in a bilingual format, with Arabic and another language. However, in all cases, the Arabic version will be the governing version.

Similarly, all correspondence and documents submitted to the Saudi Government must be in the Arabic language. If correspondence or a document being submitted to the Saudi Government or judiciary, is

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originally in a language other than Arabic, the document must be translated into Arabic by a certified translator in Saudi Arabia.

2. Incentives

Incentives for foreign investors to invest in Saudi Arabia are available from both the Saudi public and private sectors.

2.1. Public Sector

Article 6 of the Saudi Arabian Foreign Investment Regulations[2] provides that a project licensed under the Foreign Investment Law shall enjoy all the benefits, incentives and guarantees enjoyed by a national project according to regulations and directives. These benefits, incentives, and guarantees include, among other things:

(a) Incentives under the National Industries Regulations[3], which provide that industrial projects in Saudi Arabia may import machinery, tools, equipment, and spare parts free from customs duties. Semi-manufactured materials, raw materials, and packaging materials may also be imported duty-free by industrial projects but only to the extent that such materials are not available in Saudi Arabia;

(b) The ability to own the property required for the investment project and to sponsor its employees, although such ability is subject to certain conditions, including a prohibition against non-Saudis owning property in the cities of Mecca or Medinah;[4]

(c) The right to apply for loans from the Saudi Industrial Development Fund (SIDF). The SIDF[5] is a funding agency established to provide medium-term and long-term soft loans at modest fees, substantially less than those associated with commercial loans for private industrial projects, in order to help develop and enhance Saudi Arabia's industrial base. The SIDF will provide up to 75% of a project's capital expenditure cost, including the initial working capital and pre-operating expenses; and

(d) The right to apply for assistance from the Saudi Human Resources Development Fund (HRDF), which provides funding to businesses in Saudi Arabia to offset the costs of training and employing Saudi nationals.

2.2. Private Sector

Foreign businesses winning large Government procurement contracts are often required to enter into Economic Offset Agreements, whereby they commit to invest an amount equal to a defined proportion of the value of the procurement contract to establish innovative industrial and service projects in Saudi Arabia in collaboration with Saudi private sector companies. By way of example, the Saudi British Economic Offset Program administers a Project Finance Initiative which lowers investment risk and enhances returns by matching the investment made by a foreign investor in a Saudi business to a maximum value of US$10 million.

3. Tax

3.1. Income Tax

Subject to limited exceptions, where a Saudi business has foreign capital participation, that portion of the business's annual net profits that is equal to the proportion of the foreign investor's interest in the business's capital will be subject to Saudi income tax at the rate of 20%.[6] For example, if a foreign investor held 51% of the capital in an investment vehicle and if that investment vehicle made an annual net profit of SAR1,000,000, the investment vehicle would pay 20% income tax on that 51%.

3.2. Withholding Tax

Every Saudi resident (natural or juristic) and every permanent establishment of a non-resident in Saudi Arabia who pays an amount to a non-resident from a source in Saudi Arabia shall withhold tax from the paid amount at a rate determined by reference to the nature of the payment.[7] For example, dividend payments from a Saudi investment vehicle to a foreign shareholder will be subject to withholding tax at the rate of 5% of the gross amount paid; royalty payments from a Saudi investment vehicle to a foreign licensor will be subject to withholding tax at the rate of 15% of the gross amount paid; and payments under a management contract from a Saudi investment vehicle to a foreign party will be subject to withholding tax at the rate of 20% of the gross amount paid.

3.3. Tax Treaties

Saudi Arabia is party to a number of tax treaties, including treaties with France, China, India, Pakistan, Austria, South Africa, the UK and Korea. The terms of these treaties might reduce or eliminate the application of Saudi income tax and/or withholding tax and so should be considered by foreign investors in consultation with their Saudi tax advisors.

[1] See The British Offset Office. Why Invest? http://www.britishoffset.com/why-invest/ (Accessed 2 March 2016).
[2] The Saudi Arabian Foreign Investment Regulations, as enacted by Royal Decree No. M/1 dated 5/1/1421 H / 9 April 2000.
[3] The National Industries Regulations, as enacted by Royal Decree No. M/50 dated 23/12/1381 H / 28 May 1962.
[4] See the Foreign Ownership of Land Regulations, as enacted by Royal Decree No. M/15 dated 17/4/1421 H / 19 July 2000.
[5] Established by Royal Decree No. M/3 dated 26/2/1394 H / 21 March 1974.
[6] See Articles 6 and 7 of the Saudi Arabian Income Tax Regulations, as enacted by Royal Decree No. M/1 dated 15/1/1425 H / 7 March 2004.
[7] See Article 68 of the Saudi Arabian Income Tax Regulations, as enacted by Royal Decree No. M/1 dated 15/1/1425 H / 7 March 2004.

Saudi Arabia increases opportunities to stimulate foreign investment

Saudi Arabia is preparing for an era that is far less dependent on the export of oil and as a consequence, is seeking to broaden its engagement with the global economy. An indication of this process is the raising of a US$10 billion five year loan from a consortium of international banks.

The move is designed to slow the draw-down of foreign currency reserves which are being used to compensate for reduced oil revenues. The loan, which was over-subscribed, is expected to ease pressure on local Saudi banks which have been purchasing Saudi domestic bonds and supporting state-owned companies over the last year.

Preparing its financial services sector for greater international participation is a key part of the Government's strategy for diversifying its economy and gradually reducing its reliance on the energy sector. A significant step in this process was the opening of the country's Stock Market, known as the Tadawul in June 2015, to permit direct foreign ownership of shares. So far, around 11 foreign institutions have been licenced to trade on the market.

The Tadawul is already the largest stock market in the Gulf region and its opening up to foreign participation, is part of a number of reforms which are also expected to see the development of a derivatives market and the start of a futures market for a wider range of commodities than simply oil. The expanding Tadawul is also set to move into the new King Abdullah Financial District in Riyadh, home to major banks and other financial service providers.

This move by the Capital Markets Authority, which supervises the Tadawul, had been anticipated for many years, but had been delayed amid concerns that foreign ownership of companies which have benefitted from the huge scale of public spending supported by petrochemical revenues, would mean overseas investors benefitting at the expense of Saudi retail investors, who currently dominate participation in the stock exchange.

Access is now permitted to financial institutions in existence or have been in existence for five years or longer and have at least US$5 billion of assets under management. Some restrictions remain as each qualified foreign investor is limited to a maximum stake of 5% in any one company and foreign investment is capped at a total of 20% in any given stock. No foreign investment is allowed in companies involved in construction work in the holy cities of Mecca and Medina.

Saudi Arabia plans to nearly double the size of its stock market as part of the strategy to diversify the economy away from oil. Capital Market Authority Chairman, Mohammed Al Jadaan, in an interview with Bloomberg in April 2016, said that the Tadawul will increase to 250 companies from around 170 currently. At the same time its market capitalisation would grow to match the size of Saudi GDP in the next

seven years. The index's present market capitalisation is US$380 billion, about 57% of GDP.

Currently listed companies include a diverse cross section of the major companies operating in the Kingdom, including Saudi Basic Industries (SABIC), the world's largest petrochemicals producer, Saudi Aramco, Saudi Arabian Mining Company (Ma'aden), banks including Samba and Saudi-Fransi Bank and the telecoms group Mobily.

By attracting many billions of dollars worth of international investment, the Saudi stock market intends to become a major constituent of the Morgan Stanley Capital International (MSCI) emerging markets index, which is followed by tracker funds around the world. Analysts suggest that Saudi Arabia would account for around 4% of the MSCI index, a similar size to the Russian market and larger than those of Mexico, Indonesia and Malaysia and second only to China.

According to the Jeddah newspaper Arab News, foreigners owned 4.58% of the Tadawul's total market capitalisation at the beginning of 2016. Economists such as John Sfakianis, Director for the Gulf region at Ashmore Investment Management, believe that much more substantial amounts of money will be invested in the Kingdom after the Tadawul is included in the MSCI Index. A new wave of foreign investment of between US$20 to US$30 billion could result, he estimates.

The Tadawul's Chief Executive Officer, Khalid Al-Hussan has said the Stock Exchange is working closely with MSCI to assess obstacles to inclusion. One of these is that trades must be settled on the same day rather than settlement after two days, which is the norm in many other large emerging markets. This means foreigners must have considerable sums of money prior to trading, which can be inconvenient given Riyadh's time zone and its Sunday to Thursday business week.

Bourses in the UAE and Qatar have already been successful in attracting international investment. There seems little doubt that Saudi Arabia, with the attractive high value potential of its blue chip stocks will quickly emerge as a rival to other emerging markets in attracting international capital.

The attractions include a projected Initial Public Offering (IPO) of up to 5% in Saudi Aramco, the world's largest company. The bourse is also hoping to develop equity and debt markets by fostering derivatives trading, the debt market and set up real estate investment trusts in addition to new listings.

> Saudi Arabia plans to nearly double the size of its stock market as part of the strategy to diversify the economy away from oil.

Besides its thriving stock market, whose Tadawul All-Share Index (TASI) was one of the first exchanges in the world to set up a fully electronic clearing and settlement system, the Kingdom also boasts a stable and modern banking sector. It comprises 13 commercial banks, providing retail and corporate banking, investment services, brokerage facilities, and derivative transactions in addition to credit cards, ATMs and point-of-sale transactions.

There are also banks in the Kingdom which provide Islamic banking services, a system consistent with the principles of Islamic law (Shari'ah), which prohibits usury, the collection and payment of interest and trading in financial risk. Among these is the oldest and largest of the Kingdom's banks, by total assets, National Commercial Bank (NCB). It was founded in 1953, and in 1999 the Saudi Government acquired a majority holding through the Ministry of Finance's Public Investment Fund (PIF).

Another of the largest banks is SABB, currently ranked number five in terms of total assets, which was formed in 1978 and is 40% owned by HSBC, and so gives customers access to both its domestic branch network as well as the resources and expertise of the HSBC network worldwide.

At the heart of the financial services sector is the central bank and regulator of the sector, the Saudi Arabian Monetary Agency (SAMA). It was established in 1952, at a time of monetary chaos, becoming one of the most respected central banks in the Middle East and overseeing the introduction of a first national currency, the Riyal in 1961. SAMA now has responsibility for supervising commercial banks, managing foreign exchange reserves, and ensuring the stability of the financial system.

The Saudi Government has also established five specialised credit institutions to provide loans to citizens for development projects in agriculture, industry and construction – the Saudi Industrial Development Fund (SIDF), the Saudi Arabian Agricultural Bank (SAAB), the Real Estate Development Fund, the Saudi Credit Bank and the PIF.

The latter's role is set to grow as it spearheads development of a planned sovereign wealth fund to invest in financial and industrial assets abroad. Deputy Crown Prince Mohammed bin Salman has said that he expects its assets to grow to more than US$2 trillion as it becomes the bedrock for the country's post-oil economy.

Saudi Arabia's economy is due to change considerably as diversification increases. The PIF is becoming influential in this process of evolution and in 2014, the Fund's Board of Directors was given the authority to set up companies without cabinet approval, a move aimed at making it more efficient and boosting important sectors of the national economy. Since its founding in 1971, the PIF has played a leading role in the development of the economy and has financed a number of mega-projects in the Kingdom, both on behalf of the State and in partnership with the private sector.

"With the new decree, the Fund will be able to act with more flexibility, which will help implement its new investment initiatives more effectively", said Finance Minister, Ibrahim Al-Assaf, in an interview with Asharq Al-Awsat. He said seeking cabinet approval for every decision by the PIF had proven to be too cumbersome, adding that the PIF had recently launched new ventures in the petrochemical and ICT sectors, in addition to other ventures aimed at strengthening the national economy.

According to Secretary General, Abdul Rahman Al-Mufdhi, the Fund is poised to begin focusing investment in three fundamental sectors: housing finance, renewable energy and ICT. In addition to these three priority sectors, it would continue to support individual initiatives in telecoms, aerospace, energy, green technologies and security, in partnership with firms at the King Abdulaziz City for Science & Technology, the Kingdom's universities and research centres.

In March 2014, the Saudi Arabian Industrial Investments Company (SAIIC) was set up and was approved by the Saudi Council of Ministers with capital of US$533 million. It is a joint venture between the PIF, Saudi Aramco and SABIC, three of the most important economic institutions in the Kingdom, with ambitions to expand significantly in strategic sectors of the economy, particularly the petrochemical and oil industries.

House building is a sector of the economy forecast to grow substantially and was given a major boost in March 2013, with approval of a mortgage banking law, paving the way for the provision of finance for house buyers. The mortgage law provides, among other things, a procedure for banks and others to become licenced to provide mortgage finance, with a maximum loan-to-value ratio of 70%.

The Ministry of Housing is planning to create its own development company and start a mortgage guarantee fund to encourage banks to increase lending and help to provide businesses land to build homes and help them secure financing by providing loan guarantees.

Creation of a state-owned mortgage firm similar to the Fannie Mae and Freddie Mac in the US, is almost complete and the re-finance company, which is critical to developing a secondary market for home loans is due to start operating by the end of 2016.

Within the insurance sector of the financial services industry, Saudi Arabia is unique in requiring all companies to operate according to the principles of cooperative insurance (Takaful). They therefore form the largest single Shari'ah compliant sector in the world, and account for about 50% of all Shari'ah compliant premiums written globally.

In its latest review of the Saudi insurance sector, Business Monitor International (BMI) says that the sector is expected to display solid growth of around 10% per year across most lines in 2016, through to 2019.

BMI says that premiums are being supported as a result of the Saudi Government's shifting of a greater burden of health provision onto private individuals and corporations. In spite of a slowdown in the economy, health insurance will remain an attractive investment opportunity and is likely to record growth of well over 10% a year, with foreign owned enterprises well placed to benefit.

Department for International Trade

Vic Annells

Director Saudi Arabia, Department for International Trade

Vic Annells

I am delighted to provide a foreword to the "Discovering Business in Saudi Arabia 2016|2017" Publication.

For over 100 years since the signing of the Treaty of Darin in 1915, there has always been a high-level relationship between UK and Saudi Arabia from Kingdom to Kingdom, with a special focus on Trade relations. Given that Saudi Arabia is our largest and most influential trading partner in the Middle East, our objective is to help these relations continue to flourish and to benefit both nations.

The newly established Department of International Trade will coordinate and implement trade and investment policy as well as, in time, negotiating free trade and market access deals around the world. We will provide operational support for exports, working alongside the UK's export credit agency, UK Export Finance, to provide financial support for exporters, and facilitate inward and outward investment. To do this we will bring together trade promotion and trade policy, allowing us to champion UK business better around the world.

Since the rule of King Salman bin Abdel Aziz Al Saud, major non-oil projects have been announced for international trade & investment opportunities, within the Saudi Vision 2030, and the National Transformation Plan. These were presented by HRH Mohammed bin Salman, the Deputy Crown-Prince, who is also the Minister of Defence & Chairman of the Council for Economic and Development affairs. The Kingdom has ambitious plans to diversify its productive base, and move towards private sector-led growth. Much of the Government spending, accounting for over 30% of GDP in 2015, is going towards enhancing the human and physical capital of the Kingdom. Many areas are addressed within the plan; examples include new schools, universities, hospitals, transport networks and industrial sites. The Government is also working to improve regulation and the performance of its financial markets, and opened its Stock Market to large institutional foreign investors in June 2015.

"Discovering Business in Saudi Arabia 2016|2017" reaches a high-profile audience of companies and businessmen interested in doing business in the Kingdom. The marketing and distribution plan will allow this publication to be available at major conferences, trade missions and shows connected to Saudi Arabia as well as online.

I would like to wish you success whether you are a British company looking for Trade & Investment opportunities in the Saudi Market, or if you are a Saudi partner willing to seek a UK source of supply or opportunity, please consult our trade advisors across Saudi who are located in Riyadh, Al Khobar and Jeddah. They are willing to provide you advice and assistance for better Kingdom to Kingdom Trade & Investment. We also work with Arabian Enterprise Incubators who help UK companies establish themselves in to the Saudi Market.

Saudi Committee for International Trade aims to strengthen ties

Eng. Omar A Bahlaiwa, Secretary General, CIT

Eng. Omar A. Bahlaiwa

The UK's increasingly global outlook makes it a natural international partner for Saudi Arabia, with which it has longstanding diplomatic and trading links. This relationship was indicated by the fact that one of Prime Minister Theresa May's first conversations on taking office in July 2016, was with Prime Minister Custodian of the Two Holy Mosques, King Salman bin Abdul Aziz Al Saud.

As well as their common interests in international and regional stability, the two countries have extensive commercial links. These relationships have the potential to grow substantially, as the Kingdom starts a wide ranging overhaul and restructuring of its economy through a National Transformation Programme, which was announced in April 2016, in Saudi Arabia's Vision 2030 strategy.

The aim of the plan is to re-orientate a largely state-controlled economy to one led by the private sector and that will not depend so extensively on hydrocarbon revenues. No sector is to be left untouched by the reforms, with a number of areas listed for privatisation ranging from transportation to energy. Vision 2030 states Saudi Arabia's determination is to become a global investment powerhouse and says that the process of listing state-owned companies including Aramco is to be facilitated.

The UK and the Kingdom of Saudi Arabia have enjoyed a longstanding partnership based on a host of shared interests, a cornerstone of which is the commercial relationship across both the public and private sectors. Sustaining and expanding these business ties is the focus of the Riyadh based Committee for International Trade (CIT), a private sector initiative which was founded in 1983, within the Council of Saudi Chambers (CSC). The Committee comprises leading business people who work to improve the Kingdom's worldwide trade relationships.

CIT aims to build strong and sustained trade relations by: engaging with key institutions of civil society; creating an environment for productive and positive dialogue on political, economic and cultural matters critical to Saudi Arabia; promoting economic growth and diversification, domestically and abroad; and affirming Saudi Arabia's commitment to being a responsible and constructive member of the global community. Through close coordination with key UK Government, private sector agencies and business development organisations, the Committee aims to build and nurture bilateral trade ties.

Events are regularly organised and sponsored by CIT to enable business leaders from both sides to create investments and partnerships. The Committee mounts trade missions, business opportunity forums, exchanges and outreach programmes which bring Saudi business leaders to engage with international partners, as well as hosting visiting delegations.

CIT enjoys close relationships within the key economic ministries and agencies, enabling it to host top level, high impact events which combine the tools and access to getting business done in Saudi Arabia, along with access to the officials who are making critical policy decisions.

Among regular CIT activities is its role in the vitally important "Opportunity Arabia" series in the UK, organised by the Middle East Association (MEA) each Autumn. These well attended one day symposiums, provide delegates the chance to talk to leading figures from the UK and Saudi trade promotion and business sectors; gain insights and perspectives on trends and opportunities and the chance to make important contacts through CIT to the Saudi Arabian business community.

At events like 'Opportunity Arabia', business people are introduced to the excellent opportunities for investment in the Kingdom; the largest economy in the Middle East, well known for the rapid increase in 'ease of doing business', is a bastion of stability, and the leading destination in the region for British trade and investment. The pace of modernisation and commercial expansion in Saudi Arabia offers a seemingly limitless range of opportunities for UK businesses and CIT is keen to be the springboard for launching and sustaining commercial relationships in this dynamic environment.

British firms have a clear advantage in the Kingdom through the experience of the many British expatriates who have lived and worked there for decades and the natural networks that have grown among Saudis educated in the UK and their British hosts.

There are a growing number of blue chip British companies working in the Kingdom, in a wide range of business sectors, including law, mining, railways, water and engineering. Opportunities in Saudi Arabia are not confined to large scale enterprises. CIT recognises that SMEs in Saudi Arabia and in the UK are driving a significant portion of their respective economies. CIT also works to encourage business development at SME level.

CIT recognises that Saudi Arabia's global economic, financial and commercial partnerships are also influenced by social and political considerations. The ample and accurate flow of information, combined with ongoing and candid dialogue are intrinsic to building durable trade and investment ties with the UK and other nations. Reflecting the importance of strong UK/Saudi relations, CIT sponsors the Saudi British Relations Information Service (www.SaudiBrit.com), an online venue and social media project which provides articles, interviews, reference material and event information.

CIT was established to be a business bridge builder, connecting Saudi Arabia with international partners like its UK colleagues. Through the many major business relationships which have already developed across a broad spectrum of opportunities, a strong basis has been created on which to further strengthen relationships between Saudi and British businesses in the years to come.

British Offset - Saudi British Economic Offset Programme

The Saudi British Economic Offset Programme (SBEOP) has been in operation for more than twenty years and originated from the purchases of military equipment and associated support services by the Saudi Government in the mid 1980's. It continues to attract inward investment into Saudi Arabia, through the creation of joint ventures across a range of industrial sectors.

The SBEOP is managed on behalf of the UK Government by the British Offset Office, part of the UK Ministry of Defence.

To date, fifteen projects have been implemented with total capital investment exceeding US$2.53 billion. These joint venture projects have created more than 2,300 jobs, with exports totalling in excess of US$2.66 billion. Many more projects are currently being developed, or are under consideration.

Projects implemented include, a US$640 million seamless pipe manufacturing facility which employs more than 700 staff, of which approximately 60% are Saudi nationals. The facility, a joint venture between the local Saudi firm, Taqa and the Swiss company Durferco, is located at the Royal Commission's Jubail Industrial City, which is reputed to be the largest industrial complex of its kind in the world. The Arabian Amines Company, which is a joint venture between the Al-Zamil Group and the US Huntsman Corporation, is also located in Jubail and manufactures a range of ethyleneamines for use in a variety of applications, from asphalt additives to fabric softeners.

The latest project to be set up under the SBEOP, is the Global Pipe Company. This is a joint venture between Erndtebruker Eisenwerk (EEW) of Germany and Saudi Steel Pipe Company, Ahmed Hamed Al-Khonaini and Pan Gulf Holding from Saudi Arabia. The plant which began production in 2013, manufactures large diameter longitudinal submerged arc-welded pipes, for use in the oil, gas, power and water sectors. The factory is based in Jubail with a new purpose built facility covering over 120,000m^2, housing impressive state of the art equipment including some of the largest pipe forming equipment in the world.

The SBEOP allows inward investment from companies from most countries around the world. British Offset is currently supporting companies from the UK, USA, Canada, France, Germany, Italy, Switzerland and Japan, helping them with their joint venture projects, from first concepts through to formal proposals and implementation. The Offset Programme considers joint ventures from most sectors and more recently has actively promoted and assisted companies in the renewable and solar energy sector.

Over the years, British Offset has built up considerable experience in assisting with the development of joint ventures in Saudi Arabia, its links with key decision makers in the Saudi Government can to help bring early resolution of problems, which may emerge during the formation of a joint venture, or indeed once it has been implemented.

The SBEOP offers many advantages, including help with partner identification, free investment bank advice in the early stages of project development and advice and support in obtaining the necessary Saudi Government approvals. A major benefit offered to the foreign partner of a joint venture, is access to non-recourse finance for up to 50% of their equity share. Many projects facilitated through the Offset Programme have taken advantage of this equity loan facility, which is designed to reduce financial exposure and enhance business returns.

More information on the Saudi British Economic Offset Programme and the role of British Offset can be found on our website at www.britishoffset.com

Saudi-British Joint Business Council

The Saudi-British Joint Business Council (SBJBC UK) is an independent and private sector-led body, which aims to develop and enhance business relations at all levels between Saudi Arabia and the United Kingdom.

The UK Co-Chair is Rt Hon Baroness Symons of Vernham Dean, who works alongside her Saudi counterpart, Sheikh Nasser Al-Mutawa Alotaibi. The UK Secretariat of the Council established as a company limited by guarantee (not for profit), whose UK Executive Director is Chris Innes-Hopkins. The Council of Saudi Chambers provides the Saudi Secretariat, whose Executive Director is Abdul-Karim Al Yaquob.

The Council's principal objectives are:

- To promote & facilitate private sector commerce & business activity between Saudi Arabia and the UK.
- To communicate with the authorities in both Kingdoms with the aim of improving business-to-business cooperation, as well as assisting in the settling of commercial disputes.
- To facilitate training, technology & knowledge exchange between the two countries.
- To promote business and partnership opportunities, particularly for Small and Medium Sized Enterprises (SMEs).

Through more than 120 British and Saudi members from all sectors, and its Secretariat in London and Riyadh, SBJBC providers a variety of business services, as well as access to high level governmental and private sector networks in both Saudi Arabia and the UK.

The Council meets formally at least twice a year, in addition to informal meetings. Members can benefit from a range of business advisory services, participation in joint working groups, focused events and networking opportunities. Highlights of 2015/16 included an SME Partnership Forum, Saudi Sector Skills and Education Roundtable, Healthcare Investor Roundtable and Doing Business in Saudi Arabia Seminar.

The Council works closely with both governments, as well as other trade associations in pursuit of its objectives. SBJBC UK is an accredited member of the British Chambers of Commerce Global Business Network, and a UKTI Trade Challenge Partner.

Contact us at: SBJBC | 23 Grafton Street | London | W1S 4EY| tel: +44 (0) 20 7824 1933 | email: director@sbjbc.org

Arabian Enterprise Incubators

Arabian Enterprise Incubators (AEI Saudi) is a market entry consultancy enabling foreign companies to pursue, grow and deliver business in the Kingdom of Saudi Arabia. Since our establishment in 2012, we have helped over 300 companies from 29 different countries to export to and do more in the Kingdom. In 2016, AEI was selected by the British Government to partner exclusively with DIT to deliver these services to UK companies entering the Saudi market.

Saudi is unlike any other Gulf market. It has a rapidly expanding population of now over 30 million people and is roughly the size of Western Europe; it is a true mass market. Significant investment is currently being focused on diversification as the Kingdom matures into a regional powerhouse and global player, with new strategic initiatives such as the National Transformation Programme 2020 and Vision 2030.

So why is Saudi so often left out of carefully considered Middle East strategies? For many years Saudi has been viewed as "just too difficult", with companies preferring to enter the Middle East through the United Arab Emirates, Qatar or Bahrain. Things are changing, however, and more foreign companies are seeing success in Saudi, either directly or through local partners.

Of course, challenges remain and success is often hard won, but there are common themes and characteristics to the approaches adopted by successful foreign companies in Saudi. These include:

Plan: Planning can seem like an endless cycle, but the reality is that setting out clear goals, strategy, budgets and timescales is vital.

Patience: There is a wealth of opportunity, but it is important to be realistic and build a pipeline of qualified, validated prospects; setting the right expectations avoids corporate fatigue.

Presence: Importantly, there is no substitute for being on the ground. Saudi clients are unsympathetic towards those who try to win business from bases elsewhere in the Gulf. Being in Saudi does not necessarily mean setting up an entity or forging an exclusive local partnership; there are various operating models for foreign companies which are low risk and low cost.

Partner: The perceived need for a local partner often animates legal, compliance and tax departments. There are many examples of foreign companies supplying goods or services without a local partner. Equally, there are examples of highly successful partnerships forged over time and, critically, on the right terms.

Payment: Payment risk is often a major concern of foreign companies. Mitigation is best achieved by proximity and close relationships with customers and partners.

In essence, the differentiator between success and failure is commitment – commit to the market and reap the rewards. With the right advice, you will turn your Saudi plans into Saudi projects.



New Frontiers - Protecting your company and staff overseas

Clements Worldwide

Saudi Arabia is the only Arab country to be a member of the G-20, with a high income economy supported by the world's second largest hydrocarbon reserves. This economic maturity means the country is seeing increased foreign investment and an influx of organisations establishing a presence in the region.

However, the desire to expand operations can often present increased operational risks which organisations must be aware of. To ignore, or simply not fully plan for these risks can determine the longevity and success of an organisation's overseas venture.

The Clements Worldwide Risk Index (CWRI), which has released its third edition for Summer/Autumn 2016, is designed as a tool to highlight risks for companies working outside of their home country. By focusing both on risks generating the most financial losses as well as those creating the most concern, executives can use this information to plan for global growth more successfully. Two top risks faced by organisations working abroad are general liability and employee medical costs.

General liability

Organisations operating internationally are experiencing more third party lawsuits from staff, customers and others. Many companies incorrectly believe that the typically purchased domestic general liability policy should protect against the lawsuits, but this is often not true, reflected by the fact that general liability losses is the third highest loss for international organisations, according to the latest CWRI.

The first item to note, is that most domestically purchased general liability policies are focused on lawsuits, brought on a company in the court of their headquarters where the insurance is purchased. In the new global economy, people and companies are increasingly filing suits in multiple jurisdictions, for example they might file a complaint against a local subsidiary in Saudi Arabia, against the regional headquarters in the UAE, and against the company HQ in the UK. A broad general liability insurance policy needs to take into account all of these contingencies, which is best achieved by working with an insurance broker with global expertise.

Secondly, because general liability insurance only covers non-professional negligent acts, many managers underestimate how often such events could occur. The following lists some common types of general liability lawsuits:

- A government contractor is building a new addition to an embassy. During inspection, the inspector slips on the new marble floor and sues your company.
- A class action lawsuit is filed against your business, alleging advertisements contained misleading information.
- After an overnight flight, one of your workers turns on the oven to heat up a meal at the corporate apartment and starts a fire. The company is sued for damages.

A liability policy is really one of the most important policies a company can have, given the potential costs a company faces. However, only

15% of respondents list it as a top concern, according to the latest CWRI, revealing that this is an area where increased focus and planning is needed.

Health and medical expenses

For every company - with domestic operations and staff abroad - medical expenses is a top cost, but for organisations working abroad there are unique characteristics that must be considered. This loss moved down from the #4 greatest loss to the #5 in the latest version of the CWRI, but up to #3 concern from its place at #4 in the last index.

Access to quality medical care

Over 35% of respondents in Middle East, Africa, and Asia stated that their greatest medical-related concern was access to quality facilities. Ensuring that your global health plan includes a network of validated providers in geographic areas where your staff are living and working is essential due diligence when picking a health plan. Clements Worldwide Group Health, offers access to over 300 qualified healthcare providers and facilities in Saudi Arabia.

Additionally, Westerners who become expatriates must review their vaccinations to ensure they are protected from common diseases in the areas they will be living. A global health plan will provide access to hotlines focused on preparing expatriates and providing news alerts of outbreaks. Clements Group Health also offers access to a team of over 200 specialists focused on medical hazards around the world.

Medical evacuation

Even with a strong base of facilities in a country like Saudi Arabia, medical evacuation back to home countries is a fairly common occurrence. Almost one out of every five organisations surveyed, experienced a medical evacuation of staff over the past six months. The frequency does vary among industries, led by government agencies

and government contractors, where almost three out of ten organisations experienced a medical evacuation over the past six months. Ensuring your health insurance policy provides medical evacuation as standard for expats, is critical for a global organisation.

General Liability and medical care were some of the top losses reflected in the latest CWRI, but there is much more information regarding other top losses and concerns which could affect your global operations. To download the full report go to www.clements.com/riskindex. Clements Worldwide is proud to support organisations at the forefront of building a more prosperous global economy.

If you have any questions or concerns regarding managing your global risk through insurance, please contact Ibrahim Ozkaratan for a complementary consultation at iozkaratan@clements.com/ +44(0)3300 990103

Construction: Look before you leap

Glenn Lovell, Partner, King & Wood Mallesons, Riyadh

Glenn Lovell

1| How complex is the legal environment for foreign firms entering the Saudi market for the first time? What should companies be aware of and how should they prepare?

The legal environment should not be regarded as overly complex but foreign firms entering the Saudi market for the first time must do their due diligence prior to committing large amounts of capital investment. The process of how to obtain a foreign investment licence and establish a company, along with how to receive a contractor classification in accordance with local grading requirements, are key considerations. Contractor classification is often a pre-requisite to bid for Government contracts. It is important to not only understand the business environment but also the cultural one too.

2| Are the legal processes markedly different compared with the rest of the GCC? What pitfalls should a foreign contractor be aware of?

There are similarities between the legal processes across the GCC States, but it is a mistake to think that what occurs in one will be mirrored in another. Foreign contractors should understand the differences and how to best navigate through another jurisdiction's processes. Some of the common mistakes are usually in relation to perceived ease of gaining contracts and payment, worker visas and importation of construction equipment/materials. If there are contracts with the Saudi Arabian Government, then the contractor needs to be aware of the Procurement Law and also the payment mechanisms often associated with government departments.

A consideration when establishing a presence in Saudi Arabia that is often overlooked, is one of personnel. It is vital to the success of operations to have the 'right' people based in the Kingdom in order to develop relationships and build the business.

3| Are contracts and other legal documents written in both English and Arabic? What complications can arise in this?

Contracts with the private sector can be in a language other than Arabic, although it is recommended that the capabilities of the parties involved be considered. Problems can arise if one party later claims they could not understand the language of a contract.

It should be noted that before any contract written in a language other than Arabic can be presented to a Saudi Arabian court, will first need to be translated into Arabic in Saudi Arabia by a certified translation office.

Contracts with Saudi Arabian Government entities will normally be in the Arabia language or sometimes bilingual (English/Arabia). Often this is where misunderstandings can occur when the foreign contractor is not literate in Arabic (the dominate language). What generally happens is an English (or other language) translation is obtained. The quality of such translations can vary, so foreign firms should ensure a properly qualified expert reviews the "vital" components of a contract - like performance and payment provisions, dispute resolution etc.

4| How should foreign contractors structure an operation in Saudi Arabia? Does any involvement have to be in partnership with a local company?

Foreign firms intending on investing in the Saudi market should, at an early stage of planning, obtain advice from suitably qualified and experienced legal and taxation consultants. The advice should specifically focus on the area of intended business activities and available options for conducting such a business. Such options may include either establishing a corporate entity in Saudi Arabia after obtaining the necessary regulatory approvals or carrying out certain activities purely on a cross-border basis.

Generally speaking, conducting business in Saudi Arabia will involve establishing a corporate presence - typically such a structure will be either a branch of the parent entity or a limited liability company. Establishing a construction company can usually be 100% foreign owned or there may be good reasons to enter into a joint venture with others (due diligence on any partner is an important consideration). If a commercial presence is to be established, the foreign investor needs to be aware of any applicable limitations or restrictions that may apply.

5| To what degree are tendering processes for Government contracts opaque? Are there differences in tendering procedures between Government departments and agencies?

In 2006, Saudi Arabia introduced the Government Bids and Procurement Law. While there are some exceptions, generally most government tenders will fall within this law which has established processes and procedures for the awarding of government contracts. Bids often comprise two separate envelopes (one with technical capabilities of the bidder and the other with financial information - bid pricing). These envelopes are opened and examined in private.

> The 2030 Strategic Vision and associated initiatives are expected to create a wealth of opportunities for the construction and infrastructure industries.

Contractors considering a response to a tender with government departments, should understand the provisions of the procurement law and how it will impact on not only the bidding and award process but also during the life of the contract. For example, bid and performance bonds and the ability of the particular government department to unilaterally either increase or decrease the contract within certain limits.

6| Are the Kingdom's dispute procedures in line with international norms?

For the most part, Saudi Arabia has similar judicial and quasi-judicial forums, similar to many international jurisdictions. Selecting the correct forum in which to bring any dispute is important to avoid delays and to have the most appropriate adjudicators hear the matter. In addition, foreign firms should be aware of how Shari'ah can impact on the interpretation and decision of an adjudicating authority. For matters involving the Saudi Arabian Government, the competent court will be the Board of Grievances (only on rare occasions can another judicial forum hear the matter).

Importantly, in 2012, Saudi Arabia introduced a revised Arbitration Law based on the UNCITRAL Model Law, giving greater autonomy to the parties and to increase the authority of selected arbitrators. For example, parties may select such matters as: the language of the proceedings, the law governing any dispute as well as the procedures to apply to the hearing. Procedures of well known arbitral forums can now be applied to an arbitral hearing in Saudi Arabia.

7| Do you envisage major changes in Saudi commercial law? If so, how will these developments affect foreign contractors?

In 2015, Saudi Arabia introduced a new Companies Regulations to replace the outdated 1965 law. There will no doubt be further refinement of the Companies Regulations as time goes on and it is important for foreign contractors to monitor legal development in the Kingdom. One of the main regulators which impacts on foreign contractors is the Saudi Arabian General Investment Authority (SAGIA). This regulator is responsible for issuing foreign investment licences which foreign contractors must obtain and keep current as well as applying the provisions of the Foreign Investment Law. As the Kingdom continues to open its door to foreign investment, SAGIA will often revise eligibility and renewal conditions which can be frustrating for foreign contractors unless they keep up to date with developments. Having proactive professional advisors can alleviate much of the uncertainty.

8| Do you expect that Saudi Arabia's construction market will continue to grow despite a reduction in Government spending?

There is no doubt that recent oil prices and the geo-political climate have caused some slowing of projects and Government spending. However, the 2030 Strategic Vision and associated initiatives are expected to create a wealth of opportunities for the construction and infrastructure industries, predicted to be evident in the latter part of 2016 and early 2017.

9| A contracting State role in the economy could increase the role of PPP projects in the Kingdom's infrastructure development. Does the Saudi legal system support such a development?

If the Government determined there was merit in such an approach, then it would happen, as there is adequate scope in the current legal regime to support this. Certainly the 2030 Strategic Vision indicates that the PPP projects in the Kingdom will gain momentum but how far this will reach, is yet to be determined.

10| What challenges do foreign contractors face in the recruitment of labour. What impact has the Nitiqat Law had on the construction industry?

One of the most frustrating and often expensive areas of doing business in Saudi Arabia involves obtaining visas and residency for expatriate workers in the construction industry. Often changing requirements and government cost increases cause for many headaches for foreign construction firms. It is important to have up to date information on current Ministry of Labour policies and often such information is difficult to locate. A government relations officer employed by the construction firm should be encouraged to have regular dialogue with the Ministry, so that the company is well informed of any changes and has time to adapt accordingly.

The Nitiqat system does present challenges to foreign construction firms and it is important that management is aware of Saudisation ratios applying to its operations in Saudi Arabia. Careful ongoing monitoring is a must. On the positive side, Nitiqat does facilitate the smooth transfer of employees in situations where an employer finds itself in the wrong Nitiqat category.

11| Major foreign corporations have substantial legal resources when bidding for work or operating in the Kingdom. What advice would you give SMEs also seeking to enter the market but which are wary of the legal environment?

SMEs are in demand, particularly at the subcontract or specialist level. However, there are traps for the unwary and good advice along with careful planning is essential. SMEs should understand where they fit into the construction industry and carry out thorough due diligence prior to embarking on investment in the Kingdom. Often subcontract payment mechanisms can cause a great deal of stress for SMEs on tight budgets relying on downstream back to back payment arrangements. Surviving when the head contractor does not get paid on time can present extreme challenges.

Saudi Arabia's oil & gas - upstream and downstream set to expand

Saudi Arabia produces more than 10% of the world's oil output, a share that the state oil company, Saudi Aramco, intends to maintain and even increase. In 2015, Saudi oil production averaged 10.2 million bpd and is expected to show a slight increase on this already high level in 2016, according to their CEO, Amin Nasser.

The country is leading the Organisation of Petroleum Exporting Countries (OPEC) members in a struggle to maintain global market share against higher production cost producers. The latter includes shale drilling companies in the US. Saudi Oil Minister, Khalid Al-Falih, who is also Chairman of Saudi Aramco, has declared that there will be no change in the country's oil policy.

In May 2016, Al-Falih also said "We remain committed to maintaining our role in international energy markets and strengthening our position as the world's most reliable supplier of energy.

While the Government is striving to diversify the economy, the country remains heavily dependent on its oil wealth, which represents 90% of exports and almost 75% of Government revenues.

Saudi Aramco has said that it plans to increase output significantly during 2016, even though the price of crude oil in international markets has fallen 50% over the last year. Nasser has declared that despite the market environment being challenging "it's still an opportunity for us to grow."

Saudi Arabia has the largest oil production capacity in the world and is the principal exporter of petroleum liquids. In addition it also holds the largest proven oil reserves at 261 billion barrels. According to the US' Energy Information Administration, it also possesses the fifth largest proven global natural gas reserves with 8.73 trillion m^3. Much of this resource has yet to be exploited.

In 2015, Al-Falih said that the company intended to invest US$30 billion to US$50 billion a year to maintain its crude oil production level and also to become the world's leading refiner by transforming Saudi Aramco into an integrated energy and chemicals company.

Despite challenging market conditions, there has been no reduction in exploration and development of hydrocarbon projects. Saudi Aramco is estimated to be operating 212 oil & gas rigs, not including those offshore and has indicated it does not intend to reduce this level of operation despite reduced crude oil prices. No oil, gas or refining projects will be cancelled Nasser declared, during a conference held at Al-Ahsa in May 2016.

There is a great deal of potential in a country that is one of the lowest cost producers of oil in the world and where many areas on and offshore have yet to be exploited. Although the country boasts in excess of 100 oilfields, more than 50% of Saudi Arabia's oil reserves of 70 billion barrels, are contained in just eight fields.

The Ghawar oilfield is the largest in the world which has been in production for 70 years and produces 60% of crude output.

Saudi Aramco has already seen production capacity at its Shaybah oilfield increase by 33% to one million bpd in 2016. It also expects that gas production from this field, which is located at the northern edge of the remote Rub al-Khali desert, will double in the next decade.

Saudi Aramco is also developing the country's Khurais oilfield. The expansion of this site is due to be completed in 2018, when production capacity will be raised by 300,000 to 1.5 million bpd.

Development of natural gas resources is also high on the agenda. Nasser, the CEO says that the Kingdom's natural gas production will almost double from 340 million m^3 per day currently, to 651 million m3 per day within the next ten years. The company is also continuing to explore both for oil & gas in the Red Sea area, Nasser says. He also says the company has made a promising gas discovery at the Jafurah field in the Al-Ahsa region, which is currently being assessed and appraised for future development.

Investing in downstream industries is another key element in Saudi Aramco's strategy. Oil and refinery projects both at home and abroad, and efforts to link oil refining with petrochemical operations, are likely to be increasingly important to the company revenue streams.

Saudi Aramco ranks as the world's sixth largest refiner with some 5.4 million bpd of refined goods capacity in domestic plants and in joint ventures overseas. This figure represents a 40% increase of that recorded a decade earlier. Refined oil exports were valued at around US$24 billion in 2014.

The outlook for crude oil refining is good. Global demand for refined petroleum products is expected to remain steady, driven by robust growth in emerging markets. In line with an increasing flow of legislation around the world which mandate decreased emissions, Saudi Arabia is investing heavily to reduce sulphur levels in transportation fuels. New plants are coming on stream with products that reduce the sulphur content in diesel and gasoline to ten parts per million and lower the benzene content in gasoline to 1% in order to comply with international standards. (*Oil & Gas Journal*)

Investment totalling US$18 billion in new refining capacity is taking place at a number of locations in Saudi Arabia. Typically, the refinery projects underway will provide processing capacity of 400,000 bpd of heavy crude oil when they all come on stream.

> While the Government is striving to diversify the economy, the country remains heavily dependent on its oil wealth, which represents 90% of exports and almost 75% of Government revenues.

Leading investments include the Ras Tanura Refinery Clean Fuels and Aromatics Project, which is due to be completed in 2016, the Riyadh Refinery Clean Transportation Fuel Project as well as clean fuels projects by the Rabigh Refining and Petrochemical Company (PetroRabigh), which is a joint venture between Saudi Aramco and Japan's Sumitomo Chemical Company. The complex on the Red Sea coast, is able to refine 400,000 bpd of crude oil and is also designed to process 2.4 million tonnes a year of petrochemical products.

In Yanbu, a joint venture between Saudi Aramco and the US' Exxon Mobil known as Samref is also focusing on the production of clean fuels. A second phase development is due to be commissioned in 2016. The US$2.5 billion project includes a new high-pressure distillate hydrotreater, a hydrogen manufacturing unit and a sulphur recovery unit. Its production is expected to reduce diesel sulphur levels by 98%.

One of the largest of the refinery expansions, is the Saudi Aramco Total Refining and Petrochemical Company (SATORP) complex at Jubail on the Gulf coast, which is the result of a US$10 billion joint venture between Total and Saudi Aramco. The new facility has reached full design capacity and is processing 400,000 bpd of heavy crude oil to supply markets in Asia and the Middle East.

The processing facilities complement the country's nine existing refining complexes, which produce gasoline, fuel and diesel oil, liquefied petroleum gas (LPG), jet fuel, kerosene and other petroleum products, for the domestic market and for export.

The country is keen to attract further overseas investment in oil related services. Unlike many refineries elsewhere in the world, its new facilities offer large scale capacity to process local heavy and sour crude. New technologies will significantly reduce their environmental impact, compared to older facilities elsewhere.

Technology is now being tested to turn crude oil directly into chemical products, Amin Nasser has said. The company and Saudi Basic Industries Corporation are reported to be studying a plan to build a joint refinery to use this new technology.

Saudi Aramco's refineries' expansion strategy includes investment in Asian oil refineries to strengthen its global network of buyers for their crude oil. The company aims to double its refining capacity to more than ten million bpd.

While petroleum product consumption in Europe is declining, demand is growing rapidly in Asian markets, in particular India and China. 65% of their crude oil exports and 34.5% of its refined products are sold to markets in the Far East. (*Saudi Aramco*)

By owning the world's largest proven oil reserves, as well as an expanding refinery infrastructure, Saudi Arabia offers international investors in the petrochemicals sector competitively priced feedstock and long term supply security. At the same time, its strategic location between Asia, Europe and North America is a significant logistical competitive advantage as it offers low cost access across a diverse portfolio of markets.

In January 2016, King Salman and China's President Xi Jinping, inaugurated the Yanbu Aramco Sinopec Refining Company (YASREF) refinery. Located in Yanbu Industrial City on the west coast, the YASREF refinery has the capacity to refine 400,000 bpd of Arabian heavy oil and also the capacity to deliver close to 100,000 bpd of clean high-octane gasoline .

In 2015, Saudi Aramco bought a US$2 billion stake in S-Oil Corporation, South Korea's third largest oil refiner. It also has a shareholding in a refinery in China's Fujian Province with the US' Exxon Mobil and China Petroleum & Chemical Corporation. In March 2016, it was also reported to be in discussions with China National Petroleum Corporation to construct a new joint venture refinery in China.

In order to safely refine this crude oil with a high sulphur content and a large proportion of heavy residues into products that meet market requirements, the new refinery is equipped with a range of advanced technologies which converts the crude into a wide variety of products, including very light hydrocarbons such as propylene and LPG.

Saudi Aramco's capital expenditure programmes, in addition to ongoing procurement for services and engineering, clearly provide a wide range of opportunities for foreign suppliers.

Petrochemicals is one of a number of industry sectors targeted by the Saudi Government to attract foreign investment. In recognising this opportunity for British business, the Department for International Trade (DIT) highlights two projects in particular that represent real and immediate opportunities. These are the Sadara Petrochemical project, a US$20 billion joint venture between Dow Chemicals and Saudi Aramco, where there are opportunities in engineering and procurement, and a planned US$25 billion investment in Red Sea natural gas production over the coming decade, where there are opportunities for UK engineering and service companies with experience in deep water regions.

Financial services and consultancies are also likely to benefit from plans to divest part of Saudi Aramco to private sector investors. Crown Prince Mohammed bin Salman Al Saud has outlined plans for the sale of 5% of the state company to investors in the next two years. An IPO, estimated to be valued at between US$100 billion to US$150 billion, would be the largest ever global IPO.

Saudi Arabia's arbitration regime: Moving forward...

LXL LLP



Ayad Ridha Thomas Marcovici Yanal Abul-Failat

1| Arbitration in Saudi Arabia

Saudi Arabia is not only the largest petroleum exporter in the Arabian Gulf, but also holds the world's second largest proven oil reserves. In the Middle East and North African Region ("MENA") particularly the Gulf region, there has been a continuing development of arbitration laws and an acceptance of using arbitration as its preferred choice of commercial dispute resolution, particularly in the energy and construction sectors.

In the Middle East, the peoples have used arbitration since pre-Islamic times. Although, arbitration, known as Tahkeem in Arabic, has been legitimised as a system by Islamic law, it remains underutilised in Saudi Arabia. This is mainly due to the negative attitude of the Saudi Government towards arbitration following hostile application of Saudi national law in three commercial arbitration disputes, namely the Abu Dhabi Award of 1952, the Qatar Award of 1957, and the Aramco Award of 1958 in which 'western laws' filled the gaps of Sharia law causing substantial losses when the petroleum sector was in its infancy.

The use of arbitration in Saudi Arabia is difficult to assess as there is no systematic reporting of cases and accordingly there are no statistics on the number of arbitrations which have been held. What is certain is that commercial arbitrations in Saudi have certainly increased since it signed the Convention on the Recognition and Enforcement of Foreign Arbitral Awards, New York 1958 ("New York Convention").

2| 2012 Arbitration Law

People and organisations with an interest in commercial arbitration in Saudi Arabia, have recognised that the previous arbitration law of 1983, needed updating in order to bring the country into greater conformity with other arbitration laws and to make it more attractive to foreign investors to do business in Saudi Arabia. By Royal Decree No. M/34, a new arbitration law came into force in July 2012 (the "2012

Law"). The 2012 Law introduced a range of reforms forming part of a wider and ongoing restructuring of the Saudi judicial system. Whilst conforming with Sharia Law (The Hanbali School particularly), the new system is largely influenced by the United Nations Commission on International Trade Law Arbitration Rules (adopted in 1976 and revised in 2010) ("UNCITRAL Rules") and the UNCITRAL Model Law. The 2012 Law applies to both domestic and international arbitrations held in Saudi and to any disputes that submit to its jurisdiction, regardless of their nature.

The 2012 Law sets out fundamental principles on how an arbitration is to be conducted and provides provisions that are "mandatory" and others which are "non-mandatory" – meaning that parties can decide to opt out of some, but not all provisions of the 2012 Law. The 2012 Law has diminished the Saudi Courts' involvement in both the conduct of proceedings and the enforcement of arbitral awards and allows the parties to select a foreign law to govern the arbitration.

Since the 2012 Law does not cover all aspects of arbitral proceedings, parties can decide to adopt certain "arbitration rules" to supplement the 2012 Law. The seat of arbitration should not be confused with the place or venue that the parties choose for the arbitral hearing to be held.

3| Enforcement of the award

When a party is applying to enforce an award (whether foreign or local), an application has to be made to a Saudi Court which, subject to Saudi laws and regulations, would enforce the award against the other party. This may well have a bearing on the choice of the seat because when it comes to enforcement, the parties may find that the Saudi courts apply a different set of rules and have a different approach to interpreting commercial arbitral awards.

This is mitigated by the enforcement procedure, the recent enforcement law issued through Royal Decree No. M/53, which came into force in March 2013 (the "New Enforcement Law"). It introduced a process which follows current international practices. The New Enforcement Law ensures that when an execution judge is deciding whether to enforce an award or not, aspects relating to the merits of the case are not subject to scrutiny. Despite such advent, Sharia principles are still relevant, and awards may be unenforceable if they breach Sharia laws.

4| Saudi Centre for Commercial Arbitration (SCCA)

The SCCA, established in 2014, and headquartered in Riyadh, is the first commercial arbitration institution in Saudi Arabia. It operates under the umbrella of the Saudi Council of Chambers, which is empowered by Royal Decree No. M/6 dated 30.04.1400AH, to settle commercial and industrial disputes. Nine directors, forming the board of the SCCA were appointed and tasked with publishing rules and guidelines.

5| Moving forward

The 2012 Law and the New Enforcement Law, represent Saudi Arabia's efforts in harmonising their local laws with international laws and standards and the creation of an enforcement procedure that strengthens foreign investors' confidence in using Saudi Arabia as its lex arbitri. Nevertheless, these new laws have yet to be tested and there is a degree of uncertainty as to how they will be applied. Care and local expertise is required when dealing with arbitration in Saudi Arabia, even when non-Saudi Law governs the conduct of arbitration.

Ambitious New Economic Cities strategy under review

The huge financial commitment to develop a series of new economic cities across the Kingdom, launched in 2005, but with many subsequent delays not least due to the financial crisis of 2008, is under review to ensure the projects are commercially viable. The first four cities are King Abdullah Economic City (KAEC) in Rabigh, Prince Abdulaziz bin Mousaed Economic City (PABMEC) near Ha'il, Knowledge Economic City (KEC) in Medina and Jazan Economic City (JEC).

The main theme of them is to act as the focus for large scale inward investment, and to create training and employment opportunities for the Kingdom's young population.

Under the supervision and regulation of the Saudi Arabian General Investment Authority (SAGIA), they are designed to provide a more attractive environment for foreign investors, with the Government acting as regulator, facilitator and promoter, while the private sector provides capital, land ownership and development.

A key aim is to create opportunities for investment by providing a business friendly atmosphere to create jobs and an attractive lifestyle for residents. The concept was to have each city promoting private investment opportunities in developing infrastructure, real estate and industry.

A document outlining Deputy Crown Prince Mohammed bin Salman Al Saud's Vision 2030 reform plan in early 2016, stated that work had halted in some of the cities and there are challenges that threaten their viability.

However, they remain an important part of the Government's strategy to diversify the Saudi economy away from reliance on the oil & gas sector, which currently accounts for more than 90% of GDP. As such, the future development of the cities represents a huge opportunity for contractors, with major projects to develop port and industrial infrastructure and related commercial and residential property development.

KAEC is the largest and most advanced of the four. Located at Rabigh on the western coast of Saudi Arabia, around 100km north of Jeddah, the development is planned to extend over an area of 181km^2.

The project includes development of residential communities along the coast, a major deep draught port, an area known as the Hijaz district where the 450km high-speed Haramain railway, linking Jeddah, Mecca and Medina to KAEC, due to open in early 2018, will have a new station designed by UK architect Foster & Partners.

Overseeing the development of them is the Economic Cities Authority (ECA). They can offer a range of incentives to companies looking to establish in the New Cities. These incentives include 100% foreign

ownership for individuals and access to permits and licences related to living, working, operating businesses, and owning and managing properties.

The KAEC comprises six main components. They are an industrial zone, seaport, residential areas, tourism attractions, education zone and central business district. The overall development is being built by Emaar The Economic City. This is a Tadawul listed company, formed through a partnership between Dubai based Emaar Properties, one of the world's largest real estate companies, and SAGIA, which is the main facilitator of the project.

KAEC's population is around 4,000 at present, but this is expected to expand as new businesses and factories start operating and the construction of residential areas and utilities gathers pace. Most of the New City is expected to be completed by 2035, when it is planned to be home to two million residents.

Despite challenges, Fahd al-Rasheed, Group CEO of Emaar The Economic City, is confident that "the sky's the limit" for KAEC, even though at least 85% of the venture awaits completion. He sees KAEC as serving as the principal logistics and manufacturing hub for countries on the Red Sea. He envisages 25% of the City being completed by 2020, when it will provide 28,000 jobs and be home to 50,000 residents.

King Abdullah Port, a key component of the New City, opened at the start of 2014, and currently has 700m of quays and a water depth of 18m. Its eight cranes can service the largest ships and plans to handle seven million twenty foot equivalent units (TEUs) per year by 2017, and ultimately reach 20 million TEUs per year.

Port Development Company, which is developing the facility, also signed an agreement with the US' NYK Group to open a roll-on roll-off terminal, which is due to open later in 2016. A number of major international shipping companies including Maersk Line and UASC are due to operate services to and from KAEC.

KAEC's industrial area also recently became fully connected to the country's national grid. The move enables it to meet a growing need for power supplies from an expanding number of commercial and residential users. During the latter half 2016, residential areas are due to be connected to the grid and all other areas soon after.

The commercial core of the city is an industrial area being built to accommodate leading Saudi, regional and international companies. Dubai based Al-Futtaim Group, recently agreed to develop a logistics and distribution facility on the site.

Several major international companies have already signed up to develop manufacturing ventures in KAEC including Volvo and pharmaceutical giants Pfizer and Sanofi. Around 20 companies have already started operating and a further 40 industrial and manufacturing ventures are developing factories there.

KAEC is also seen as having considerable potential to attract Saudi tourists. A water themed park and an 18 hole golf course will launch later in 2016. The course overlooking the Red Sea will be one of only four 18 hole public courses in the Kingdom. Dozens of other leisure projects are also in various stages of development. A 700m karting track has already been built.

After attracting 100,000 visitors in 2015, Ramzi Solh, CEO of Commercial Development at the ECA, has expectations that it will become a short break holiday destination for Saudis. Ten hotels are currently under development with the Bay La Sun Hotel & Marina already operating.

According to him “KAEC is on track to attract more than one million leisure and business visitors to the city by 2020, by providing a range of world class facilities for relaxation and enjoyment, with added value of a pristine beachfront location.”

The other economic cities are planned on the basis that each will have its own area of specialisation and will be developed around at least one globally competitive cluster or industry.

The focus for PABMEC’s industries, for example, is to be the processing of agricultural production, construction materials and minerals. The idea is to have a range of firms adding value to these commodities arriving from the north of the country and surrounding areas within the Ha’il region. A modern logistics network will then supply these to the rest of the country and also neighbouring countries.

Original plans have been reappraised with the overall area of development reduced from a fifth of its initially planned size. However, the development’s principal infrastructure features will be retained, including an international airport and a dry port, he says.

Plans for PABMEC, which lies a short distance north of Ha’il, have a strong emphasis on transport and logistics, with a multimodal dry port, handling truck and rail cargo, an international airport, and an intermodal passenger station. The latter is to serve both bus and rail passengers and is integrated with local public transport and a highway rest area. An expanded railway network and enhanced roads will provide cross-border links to Jordan, Iraq and Saudi regions.

Unlike other planned economic cities, Medina’s KEC does not involve huge amounts of industrial and real estate development and is smaller in scale. This is planned to provide an environment to nurture IT and life sciences firms engaged in research and development.

Plans for KEC include technology colleges for medical studies, biological sciences and health services. Besides being the home of a multimodal transportation centre and business district, there are also plans for a major retail centre and hotel complex.

It will also be home to a centre for Islamic civilisation studies and a mosque for 10,000 worshippers. The project will be linked by monorail to Medina’s Grand Mosque and benefit from the expansion of the nearby Prince Mohammed Bin Abdulaziz Airport.

> With a new vision in place, the Economic Cities will be repositioned to achieve the targeted objectives, offering unprecedented opportunities for Saudi and foreign investors to start hi-tech projects.

JEC located some 60km northwest of the city of Jazan on the Red Sea, is on a much larger scale and initially projected to be home to several major industrial ventures including oil refining, petrochemicals production and mineral ore processing, as well as food processing and a fishing industry.

The primary anchors for JEC feature an industrial zone, commercial and cultural centres, residential areas, and academic and vocational training institutions as well as a new industrial port.

Its industrial zone will account for more than two thirds of the project, and will include a port, an aluminum smelter, an oil refinery, metal and mineral processing plants, and fisheries and agro-based industry. It will also include a power and desalination plant to support these industrial facilities.

The city's seaport is envisaged as one of the largest and most significant ports in the region, as well as being a major Red Sea terminal, with modern facilities capable of handling the largest vessels. It will provide job opportunities in ancillary areas such as cargo, storage, trans-shipment, and logistics, while alongside the seaport, a dry dock is intended to provide services for fishing boats and ships.

New infrastructure will provide a solid base for further investments in heavy and secondary industries including petrochemicals and the conversion of mining products, according to Khalid Al-Falih, the Chairman of Saudi Aramco, which is now driving JEC's development.

SAGIA's Governor, Abdulattif bin Ahmed Al-Othman, says he is optimistic about the planned Economic Cities and their ability to create a competitive environment to attract investment, drive economic growth and create more jobs for Saudis.

With a new vision in place, the Economic Cities will be repositioned to achieve the targeted objectives, offering unprecedented opportunities for Saudi and foreign investors to start hi-tech projects but there needs to be an easing of trade, investment and visa regulations to entice investors looking for modern infrastructure, high level services and access to finance.

Mohanud Helal, Secretary General of the ECA, also says that consideration is being given for retail and wholesale trading business to be opened to full foreign ownership from a 75% limit at present. The Kingdom is also reviewing its restrictive visa system to accelerate the issuing of work and visit permits, he says.

Amec Foster Wheeler in Saudi Arabia

Amec Foster Wheeler

Amec Foster Wheeler has been active in Saudi Arabia for nearly fifty years, having been awarded its first project in 1970. During this time, the company has delivered a full range of world class projects, stretching across the entire hydrocarbon value chain.

Situated in the Eastern Province of Saudi Arabia, Amec Foster Wheeler, from its centre in Khobar, is able to address multi-sector engineering services, from concept to commissioning and operations, across the Oil & Gas, Environmental and Infrastructure, Clean Energy and Mining markets. Supported from a global network of expertise, the Saudi office is able to provide market leading technology differentiators, such as licenced hydrocarbon technologies, as well as specialist equipment from our fired heater, and global power groups.

In its recent past, Amec Foster Wheeler has become a key engineering partner to Saudi Arabia, having been entrusted with the project design and execution for projects in Rabigh, Khurais, Qatif, Riyadh, Jubail, Yanbu, Jeddah, Manifa, Khursaniyah, Haradh and many other diverse locations across the Kingdom.

Amec Foster Wheeler is currently a valued partner on several mega projects in the Kingdom, including the Sadara Chemicals development on an EPCm basis and Saudi Aramco's Unconventional Gas Development, for which the company is providing engineering and project management services.

Amec Foster Wheeler continues to drive quality and innovation in the Kingdom, bringing global expertise to the doorstep of the Saudi Kingdom, with an aggressive plan for future expansion. Today, the company has over 350 people based in Saudi Arabia with plans for future expansion.

Amec Foster Wheeler (www.amecfw.com) designs, delivers and maintains strategic and complex assets for its customers across the global energy and related sectors.

Employing around 40,000 people in more than 55 countries and with 2015 revenues of £5.5 billion, the company operates across the oil & gas industry – from production through to refining, processing and distribution of derivative products – and in the mining, clean energy, power generation, pharma, environment and infrastructure markets.

Amec Foster Wheeler shares are publicly traded on the London Stock Exchange and its American Depositary Shares are traded on the New York Stock Exchange. Both trade under the ticker AMFW.

Water sector's expansion provides big investment opportunities

The fact that Saudi Arabia is short of water is no surprise given that most of the country, which is larger than Western Europe, is desert. Rainfall is among the lowest in the world and ancient underground fossil water has been depleted. This has not prevented the country becoming one of the world's largest consumers of water per head, where a plentiful supply of heavily subsidised desalinated seawater is available to industries and residents.

Multibillion dollar projects to build giant desalination plants have helped to mitigate the natural shortage. Desalinated water contributes around 60% of Saudi Arabia's water with 40% drawn from ground water and rainwater collected by dams.

It has become the world's biggest producer of desalinated water. The state-owned Saline Water Conversion Corporation (SWCC) operates 36 plants, mostly located on the Red Sea coast. Other plants are operated by the private sector. Since water consumption continues to rise by up to 8% or more each year, there is mounting pressure to raise desalinated water production even further.

SWCC has plans to invest US$80 billion by 2025, to raise water production to 8.5 million m^3 per day from the current 3.6 million m^3 per day. The plan is to build more plants and expand existing units in partnership with the private sector.

Stations are currently working at full capacity around the clock to meet demand. However, a large percentage of production comes from stations nearing the end of their expected life of 25 years, with these stations producing just over half of the country's desalinated water.

Investments totalling US$22.1 billion are being made in three large projects which are nearing completion. Looking further ahead, SWCC expects investment in the sector to accelerate in order to provide water security and to cope with demand, estimated to be around three times the current level.

One of the largest of the projects is a water desalination and power station complex at Ras Al-Khair Industrial City on the Gulf coast, which is due to reach full capacity in 2016. Some 2,400MW of electricity will be generated and one million m^3 per day of seawater will be desalinated. It ranks as the largest plant of its kind in the world.

Additional investments include a plant in Jubail with a capacity of 178,000m^3 per day and the laying of pipelines between Jubail and Riyadh, and Rabigh and Mecca, via Briman, as part of a project to improve the distribution network.

Sewerage systems are also part of investment plans. National Water Co. (NWC), Saudi Arabia's largest supplier, has more than 300 projects underway or planned in Mecca, Riyadh, Ta'if and Jeddah.

Contracts valued at US$5.2 billion have been signed, with a further 127 projects costed at US$1.5 billion. The main work involves water storage and the rehabilitation of old pipeline networks. The company is also seeking to increase the number of households which have adequate connections to water and sanitation facilities in the cities.

A compounding problem of water scarcity, is a large proportion of the Kingdom's precious water resources are used for agricultural purposes. A strategy in the 1980s to make Saudi Arabia self-sustaining in wheat production, which has led to the country becoming a net grain exporter, came at a heavy cost since it has depleted scarce underground water resources with some estimates predicting they will be used up by 2040.

Grain is no longer exported and Government support of wheat cultivation has ended, while a recent decision has been made to stop the growing of animal feed by the end of 2018. As a result, the Almarai company, the region's largest food and dairy producer, has said it will rely fully on imported feed for its farms by the beginning of 2019.

While efforts are being made to direct farm companies towards less water consuming activities, storage of water is also a priority. The first phase of a giant strategic water storage project near Jeddah has reached full capacity. The development by the NWC has built the world's largest potable water reservoir. Eleven tanks, each capable of holding 188,000m^3 of water have been completed. A second phase is nearing completion and will double the facility's capacity. A third phase is planned which will bring total capacity up to six million m^3 of water.

Meanwhile attention is also focused on efforts to reduce the cost of processing seawater. Desalination is expensive and requires vast electricity resources. Production of desalinated water uses up to eight times more energy than using groundwater and accounts for up to 20% of the energy consumption in Saudi Arabia. Moreover, power stations themselves use significant volumes of water in the cooling processes involved in generating electricity.

SWCC's Governor, Abdul Rahman Al-Ibrahim, has said the corporation is working on a plan to bring new technologies to stations nearing the end of their lifespan, to allow them to produce more, while using the same amount of fuel and achieving better environmental standards. He points to the Jeddah station, which it had rebuilt, using more advanced technology to raise production by an estimated 600%, to around 240,000m^3 per day.

> The need for new approaches and the active search for private investment makes Saudi Arabia's water sector one of the most active in the world.

A comprehensive, innovation driven approach to water management is necessary to truly achieve sustainability in the country, according to Adbullah Al-Shaikh, CEO of Advanced Water Technology (AWT), a subsidiary of the Public Investment Fund's technology and investment arm Taqnia.

SWCC is aiming to increase energy efficiency by a substantial margin and increasingly looking to renewable energy ventures to achieve this target.

Among the new projects coming to the fore is a US$130 million, 60,000$m^3$ per day treatment plant, being developed by AWT and Spain's Abengoa. This will be solar powered at Al Khafji, in north eastern Saudi Arabia.

The need for new approaches and the active search for private investment makes Saudi Arabia's water sector one of the most active in the world and is generating widespread interest from international water management and infrastructure groups.

Privatisation is a key feature of the water sector, with the UK already well represented in plans currently in place to move NWC into the private sector. A team comprising KPMG, AECOM and Clifford Chance is working with NWC on its privatisation, while Hyder is acting as client side transaction advisors, overseeing legal and financial teams in the scoping, procurement and closing of three management contracts covering water and wastewater services in Greater Dammam, Medina and Mecca.

Agriculture, Energy and Water Minister Abdulrahman Al-Fadhli and SWCC's Governor, have stated that SWCC is to be transformed into a Joint Stock holding company, served by local production units representing its generation assets. Privatisation is to be carried out in two stages: firstly, investment partners wanting to take a share of production assets will be sought, this will be followed by an IPO for the holding company on the Saudi Stock Exchange, the Tadawul.

The value of SWCC's desalination and power generation assets is estimated at US$21 billion. Al-Ibrahim has said that SWCC needs to make more than US$29 billion of further investment over the next 15 years, to meet anticipated demand for potable water.

Al-Ibrahim says that privatisation is also seen as a vehicle for utilising existing assets for other uses. He points to SWCC's 7,000km of pipelines which is expanding to 10,000km, this is coupled with a communications fibre-optic network bringing other business benefits.

Making the Kingdom's production of water, its distribution and storage more efficient, is a key aim of the Government and crucial to meet the needs of a growing population as well as industrial expansion. A substantial amount of technical expertise and private investment is required to fulfil this objective.

Electricity demands require innovation and huge investments

Saudi Arabia ranks among the world's highest per-capita energy consumers, only just behind the US. Driven by its economic expansion and a rising population, energy demand has risen annually by an average of 7.5% over the last five years.

According to Osama Fahd Al-Bunyan, CEO of Zamil Industrial Investment Company, Saudi Arabia requires investments totalling US$133 billion to meet growing electricity consumption requirements over the next decade.

While constraints on public spending could delay some projects, investment in electricity infrastructure seems likely to be least affected, given the rising demand for power supplies and assurances made by the state-owned Saudi Electricity Company (SEC), that there will be no disruptions to supply.

However, radical decisions seem likely to be taken in the short term to overhaul the way electricity is generated in the future as well as its pricing, which at present is heavily supported by the Government, who provide subsidised fuel worth US$40 billion to SEC for power generation.

With electricity available to consumers at little more than US$0.01 a kWh, it is a fraction of the cost in the US or Europe. There is little incentive to reduce consumption, especially over the Summer months when air conditioning is left on continuously. The housing sector consumes about 50% of the supply, followed by industries, which consume 21%, the trade sector 15% and Government facilities around 12%. At present the per capita consumption is increasing year after year.

Power stations also burn 2.8 million bpd of oil, representing a quarter of the crude oil produced in the Kingdom. According to the SEC, 58% of the country's total supply is generated from oil, with associated gas used to generate most of the rest. It is a challenge to change the present way of doing things but there are growing pressures to navigate a new direction.

Domestic consumption of electricity is continuing to grow at around 8% a year, according to SEC's CEO, Ziad bin Mohammed Al-Shiha. The Governor of the Electricity and Co-Generation Regulatory Authority (ECRA), Abdullah Al Shehri, has stated that peak-time electricity demand could treble to 120,000MW by 2032, from 46,000MW in 2010.

The head of Saudi Aramco has also warned that domestic demand by oil & gas fired power stations is on course to exceed the oil equivalent of eight million bpd by 2030, if there is no improvements in energy efficiency and current trends continue. A report in 2011, by the UK think tank, Chatham House, declared the Kingdom's energy consumption pattern to be unsustainable, stating that the country consumes a quarter of its oil production, around 2.8 billion bpd, suggesting that it might become a net oil importer by 2038.

As a result, the Saudi Energy Efficiency Centre is establishing minimum energy performance standards to regulate cooling and lighting consumption, creating a fuel economy standard for vehicles and has enacted an energy efficient building code.

SEC's Al-Shiha, has also said that Saudi Arabia will save 200 million barrels per year of liquid fuel by switching its power stations to more efficient combined cycle turbines, a process which SEC began in 2009. Saudi Arabia is by far the largest global user of crude oil for power generation, with most other countries having it long ago in favour of gas, nuclear and renewable sources.

Saudi Arabia is also focusing on the development of renewable energy to counter such scenarios. The King Abdullah City for Atomic and Renewable Energy (KACARE) was established in 2010, with the aim of becoming "the driving force for making atomic and renewable energy an integral part of a national sustainable energy mix, creating and leveraging the competitive advantages of relevant technologies for the social and economic development of the Kingdom of Saudi Arabia."

In 2012, KACARE said that it planned to install 41,000MW of solar capacity by 2032, enough to meet 20% of the country's projected power needs, reaching 45,000MW by 2032. The strategy also included plans to construct a further 20,000MW of geothermal and wind power capacity in addition to plans for 16 nuclear power plants.

In 2015, it's President, Hashim Yamani, indicated that the outlook for implementation had been revised and would focus on 2040 rather than 2032, as the major milestone for long term energy planning for renewables. Nevertheless, huge investment in renewable energy is a

> Developing new and cleaner energy technologies is an area of focus for the Kingdom's state oil producer, Saudi Aramco, which is focusing its efforts on the potential for solar power.

cornerstone of plans by the Government to meet the growing requirement for energy, which is being driven by steady population growth, robust economic growth and increased industrial production.

Saudi Arabia is a signatory to the UN Framework Convention on Climate Change, and recognises the need for an increasing commitment to environmental responsibility. Despite its vast hydrocarbon reserves, diversification into renewables will help achieve energy security and allow continued large scale export of oil & gas which would otherwise be used to meet domestic demand at heavily subsidised prices.

The Kingdom is set to become one of the largest markets for renewable energy, encompassing major new solar and nuclear generating capacity, as well as geothermal, and energy from waste projects.

Nuclear power is a major feature of the Kingdom's push into renewable power generation. In January 2016, KACARE signed an agreement with China for a high temperature gas cooled reactor during Chinese President, Xi Jinping's visit to the Kingdom.

Saudi Arabia has also been pursuing small scale solar power projects for nearly 40 years. A solar power research station was initially set up north west of Riyadh at Al Uyaynah in 1979. In 2010, The King Abdulaziz City for Science and Technology (KACST) built an experimental assembly line to manufacture solar panels with imported components.

A Saudi Aramco built solar facility at the King Abdullah University of Science and Technology (KAUST) is due to generate 2MW of energy. KAUST was established by them to drive innovation in science and technology and to support research in areas such as energy and the environment. Its campus roof was designed to incorporate massive solar thermal arrays to provide domestic hot water to all campus buildings, and solar photovoltaic (PV) arrays to generate and distribute power to campus buildings.

KACST is also sponsoring efforts to develop solar powered desalination plants using advanced nanotechnology. The main aim of this programme is to produce low cost water treatment and electricity production. Desalinated seawater will be produced at a cost of less than US$0.56 per m^3, compared to the current cost by thermal technology which costs up to US$1.50 per m^3.

Developing new and cleaner energy technologies is an area of focus for the Kingdom's state oil producer, Saudi Aramco, which is focusing its efforts on the potential for solar power. In a vast country with more than 250 hours of sunshine each month, empty stretches of desert make ideal locations for huge solar structures, while vast deposits of clear sand can be used to manufacture silicon PV cells.

The potential for solar generation is huge and developments in the Kingdom are increasing. Saudi Aramco and SEC plan to jointly develop a number of new projects around the Kingdom while the Government is sponsoring a commercial scale solar panel factory.

Al Afandi Group's US$90 million factory is due to start production at a new premises in Yanbu in 2016. This will produce up to 450,000 solar panels a year, sufficient to generate 120MW of electricity. Another venture is set to manufacture large quantities of polysilicon, a material used in the production of solar cells.

Taqnia Energy, the technology arm of Saudi Arabia's Public Investment Fund (PIF), plans to build a 50MW solar power station in a venture with the KACST. The power station is to be built in the oasis town of Al-Aflaj, 350km south of Riyadh.

Saudi Aramco is leading a number of solar power projects. In collaboration with the SEC and Solar Frontier and its equity partner Showa Shell of Japan, a 500KW solar farm has been installed on Farasan Island in the Red Sea. Estimates suggest that the plant will save the transfer of an equivalent of 28,000 barrels of diesel to the island.

Showa Shell specialises in solar cells made using copper, indium and selenium. By introducing this technology into Saudi Arabia, the oil giant will be making a significant contribution to the Kingdom's goal of industrial diversification.

Wind power is another technology that has a part to play in the development of renewable energy sources. A study of five potential locations indicates that the cities of Dhulum and Arar are potential sites for off grid, remote wind turbines. The same study also concluded the viability of using grid connected wind turbines to partially power two coastal cities, Yanbu and Dhahran.

The research into the potential for wind energy undertaken at the King Fahd University of Petroleum and Minerals, concludes that the best sites are on the Arabian Gulf near Dhahran. This research said that hybrid based power generation would be a more viable and cost effective approach for remotely located communities who need an independent source of electrical energy, where it is uneconomical to extend the grid.

The amount of capital investment involved in developing both nuclear power and other renewable energy projects such as solar power, means the Government is keen to attract other investors. Analysts such as Business Monitor International (BMI) expect to see SEC divided into separate entities in 2016, with foreign investment sought once these have been created. The Government is also expected to increase attempts to attract private investment into the power sector through PPPs.

Role of private sector expands in healthcare provision

The Kingdom's healthcare sector is already the largest in the Middle East. It continues to develop, spurred by a population which surged by some 35% to 29 million in the decade from 2002 to 2012, and is expected to rise to 32.7 million by 2020.

Life expectancy also increased to 75.3 from 72.6 years between 2000 and 2011, contributing to a growing elderly population. Those in the 45-64 age group are expected to be one of the fastest growing sections of the population by 2025.

These developments and a growing incidence of chronic conditions such as diabetes and heart disease and the longer lives of most citizens are key factors behind a significant expansion of healthcare provision in Saudi Arabia.

The Government recognises healthcare's critical importance in maintaining the population's wellbeing and ensuring the Kingdom's continued economic stability. The growing pressures on health services present an opportunity for the private health sector to invest and grow in the Saudi healthcare market, which now offers opportunities to own hospitals and clinics as well as supply medical devices, pharmaceuticals and tailor made ICT.

The healthcare market is far from fully developed although it is expected to grow at a significant pace in the next five years and beyond, at a compound annual growth rate (CAGR) of 11.4%, from US$18.3 billion in 2013 to US$31.5 billion by 2018, according to a report by Dubai based Alpen Capital.

Saudi Arabia's ninth Five Year Plan, for the period 2010-2014, allocated US$730 billion for a range of health initiatives, including construction of 121 hospitals, 700 primary healthcare centres, and 400 emergency centres. Given the strength of demand for healthcare services, the Alpen Capital report suggests that the number of hospital beds is expected to expand to 66,635 in 2018, from an estimated 61,144 in 2013.

Since 2010, 61 new hospitals, 776 primary healthcare centres and nine specialist medical centres have been built. A further 637 primary healthcare facilities, 30 additional hospitals and six medical centres are under development. The aim is to have 264 hospitals providing 2,750 primary healthcare facilities and 27 specialist medical centres by the end of 2020.

The national budget for 2016, reduces healthcare spending by 35% to US$27.7 billion from US$42.7 billion in 2015. Mohammad Kamal, an Alpen Capital analyst, says the cuts could affect expenditure on treatments for Saudis outside the Kingdom relatively more than investment in the domestic healthcare system.

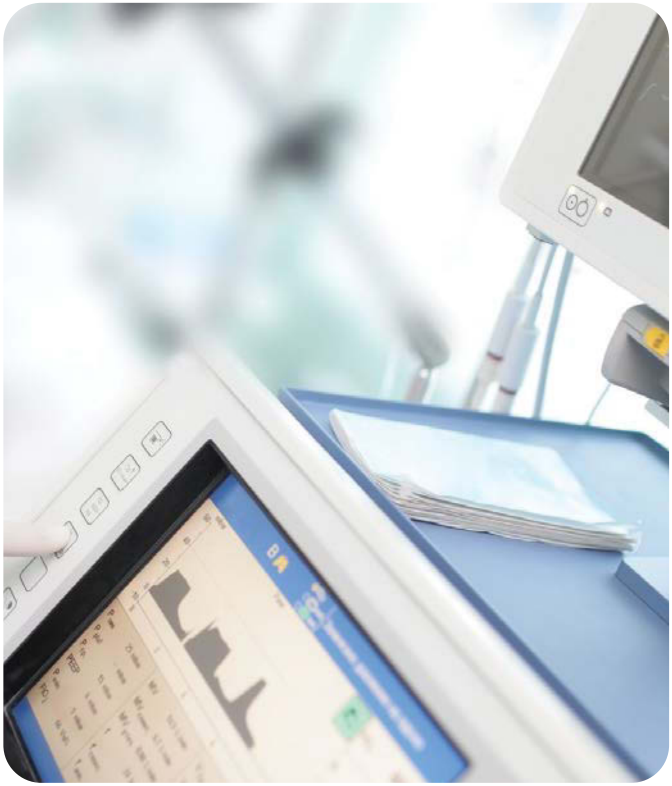
The Kingdom's ten year healthcare strategic plan adopted in 2009, foresees tertiary and advanced medical care available in every Saudi region. In 2009, the Government approved a ten year strategic healthcare plan for the period from 2010 to 2020, which included plans for the construction of four medical cities in the north, south, east and west of the Kingdom, to complement the existing King Fahd Medical City in the central region and in order to make each region independent, in terms of its healthcare provision.

The showpiece complexes comprising hospitals and specialist medical centres, are designed to provide treatments and care for a wide variety of medical conditions to help reduce the time currently taken by patients travelling for treatment in the main cities of Riyadh, Jeddah and Dhahran.

King Abdullah Medical City in Mecca, for example, is a 1,550 bed hospital complex comprising three campuses, including a 550 bed advanced medicine hospital with cardiovascular, neurosciences, oncology and specialised surgery centres.

The King Faisal Medical City at Abha serving the Kingdom's southern province, will eventually have a 1,350 bed capacity, while the Prince Mohammed bin Abdulaziz Medical City at Al Jouf in the northern province will have 1,000 beds.

The largest of the complexes is King Khalid Medical City in Dammam, which is due for completion by 2018. The US$1.2 billion complex is being developed 20km south of Dhahran and will provide a hospital complex offering a range of advanced medical care including organ transplants. The facilities will utilise the latest technologies for hospital functions including patient health records.



While budget cuts could slow down some of the larger Government sponsored healthcare infrastructure projects, the opportunities for private investors are likely to continue with a focus on new primary care clinics, specialised centres for disease management and tertiary care as well as medical rehabilitation and long term care services.

Amended investment rules regarding hospitals and compulsory healthcare insurance policies will assist with the growing involvement of the private sector in Saudi healthcare.

> In order to complement investment in new facilities, the Government is offering private companies interest free loans, covering up to 50% of the cost of building new hospitals.

At present, the private sector is estimated to account for 25% of healthcare expenditure in Saudi Arabia. The Government is seeking to increase this percentage both to reduce the burden on state funds and to raise the quality and efficiency of healthcare provision.

The Ministry of Health is working with the Saudi Arabian General Investment Authority (SAGIA) to create a regulatory system that encourages private sector investment in healthcare, as well as the production and distribution of pharmaceuticals and medical supplies. In addition to rules widening, more people have private health insurance cover and the Government is also providing loans for developers to construct privately run hospitals and offering PPPs.

Expatriates working in the Kingdom are already dependent on private healthcare. Mandatory health insurance for non-nationals was introduced in the Kingdom in 2005 and extended to their dependents in 2013.

As a result, the overwhelming majority, about 83%, of the 8.4 million health insurance holders are expatriates, whose employers are legally obliged to cover their insurance costs. Further developments could see private insurance provisions being extended to more than one million Saudi public servants and about five million of their dependents, according to research by Arqaam Capital, a specialist emerging market investment bank, based in Dubai.

In 2014, the Government announced that Saudis working in the private sector would require health insurance cover provided by their employers and would no longer have automatic access to free treatment in government run hospitals.

The Government is seeking to encourage private participation in the Kingdom's healthcare system through PPPs and by raising loan limits to private healthcare providers. One of these PPPs involves the US' Johns Hopkins partnering Aramco to cater for the national Saudi oil company's employees.

At the end of 2014, in another move towards liberalising the sector, the Government permitted non-Saudi healthcare professionals to own and operate hospitals and medical centres in the Kingdom, though Managing Directors of these will still have to be Saudi nationals.

There is already keen interest in the investment opportunities being created. In October 2015, Dubai based Aster DM Healthcare, invested in the 175 bed Riyadh based Sanad private hospital, raising its ownership to a reported 97%. In 2015, Amanat Holdings, also from the UAE, paid US$53 million for a 35% stake in Saudi company, Sukoon International, which operates a 200 bed hospital in Jeddah.

Sweden's Diaverum, a renal care and dialysis treatment provider, plans to invest US$133 million to double its existing network of 15 clinics in the Kingdom over the next five years. Many private Saudi hospitals have sought accreditation from Joint Commission International, a leading global healthcare accreditation body. There have been suggestions that the same approach could also eventually be applied to public sector healthcare facilities.

In order to complement investment in new facilities, the Government is offering private companies interest free loans, covering up to 50% of the cost of building new hospitals. In a further boost to external investors, Saudis employed in the public sector are expected to become eligible for State funded health insurance within the next few years. This would enable them to use private healthcare services without paying extra.

The Saudi pharmaceutical market is heavily reliant on imports, with more than 80% of the market requirements sourced abroad at an estimated cost of US$6.5 billion. Pharmaceutical sales are growing as a result of a population growth and there is scope for investment in an expanding domestic manufacturing base for generic and over-the-counter drugs, as well as licencing arrangements with innovative foreign drug manufacturing firms.

The Kingdom's IT healthcare market is also expected to expand by more than 12% by 2019. Part of this is due to the need for moving healthcare records to a digital format. The Government is seeking to build a comprehensive online database for medical and clinical information for healthcare providers and patients.

In addition to the development of new hospitals and acquisition of advanced medical equipment, Saudi Arabia also has to overcome a shortage of medically trained personnel. Some 248,000 people are estimated to be employed in Saudi Arabia's healthcare sector but only around 38% are Saudi nationals. Staffing clearly will be one of the biggest challenges facing the country's health sector as it seeks to expand capacity and raise clinical standards in the future.

With this in mind, the Government is supporting the development of more medical training establishments, some of which will be offered to private sector investors and partnerships, with the aim of linking with leading international educational institutions, to train Saudis to become doctors, nurses and medical technologists such as radiologists in and outside the Kingdom.

Glaxo Saudi Arabia Ltd
Expert healthcare
for everyone

Being an essential pillar of the healthcare industry in the Kingdom of Saudi Arabia, Glaxo Saudi Arabia Limited is a living success story of a joint venture between Banaja Holdings, one of The Kingdom's leading pharmaceutical distributors and GlaxoSmithKline(GSK), one of the world's leading multinational pharmaceutical companies.

Glaxo Saudi Arabia Limited is committed to contribute to Saudi Arabia's vision of creating a healthier environment for the Saudi patients, and the Saudi society.

We rely on modern technology to enhance our manufacturing facilities, and develop a range of products that meet multinational quality standards, while at the same time increase the number of well trained local staff to effectively manage and operate the plant.

Being focused on the patient is just one of the values by which we work.

Investing in such an important facility further demonstrates our commitment, giving us the edge of providing them with significant benefits, that includes reduced lead-time, greater flexibility and ability to proactively manage fluctuating demands, backed up by quality control facilities that assures high standards of delivery.

Being a leader always gives you responsibility, where quality is the core of leadership.

We seek quality that satisfies our patients and customers in terms of manufacturing, supply and marketing of our products.

Glaxo Saudi Arabia Limited complements its role by providing a range of integrated disease awareness and patients educational programs that demonstrates its continuous commitment to patient's health.





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World changing research

University of Glasgow

Over the last five centuries, University of Glasgow academics have established the central tenets of global economics, the second law of thermodynamics, the engine of industrial revolutions and antiseptic surgery. More recently, we have made significant advances in cancer sciences and the treatment of cardiovascular diseases and Glasgow physicists were part of the team responsible for the historic detection of gravitational waves.

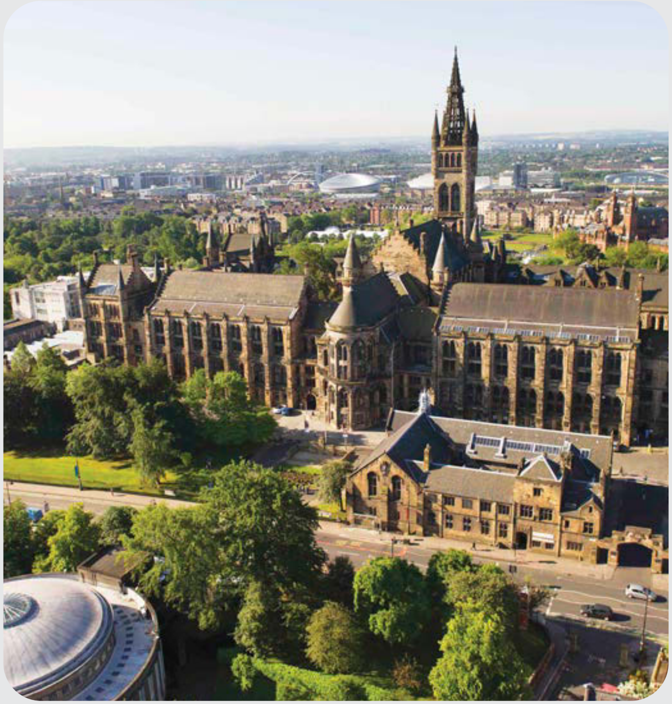
Glasgow is part of the Russell Group - the UK's top 24 universities. We will continue to make world changing discoveries that benefit society and deliver solutions to some of the most pressing questions of our time.

Recently our scientists confirmed the existence of gravitational waves, a major prediction of Albert Einstein's 1915 General Theory of Relativity, opening a new window onto the cosmos. The gravitational waves were detected by the Laser Interferometer Gravitational-wave Observatory (LIGO) detectors, based in the USA. Glasgow researchers have been working for decades supporting the worldwide effort to detect gravitational waves, and co-led the group inside the collaboration which first detected the gravitational wave signal.

Other Glasgow scientists are responding to the spread of the Zika virus, which has gained global notoriety due to its rapid spread and link with microcephaly, which causes birth defects in infants. Researchers in the MRC-University of Glasgow Centre for Virus Research, are working with partners in Brazil and the UK, utilising genetic techniques to gain a better understanding of the biology of the virus during infection, study immune responses, improve diagnostics and ultimately develop a vaccine against the disease.

We have world-leading scientists pursuing research across the broad scope of quantum-inspired science and technologies. Our James Watt Nanofabrication Centre, the most advanced facility of its kind in the UK, makes devices and sensors at an unprecedentedly small scale. We host one of only four Hubs in the UK's Quantum Technology Network, working with university and industry partners to explore quantum technology for healthcare, communications and security purposes.

Only an estimated 25% of prescribed medicines work for the patients being treated. Precision Medicine is an approach which subdivides patients into groups based on their likely response to particular therapies. Precision Medicine utilises advanced diagnostics to identify the best treatment for patients, dramatically improving health outcomes. Glasgow is leading the Scottish Precision Medicine Ecosystem and is a focus for significant investment, including the £20 million Stratified Medicine Scotland Innovation Centre, based at the new Queen Elizabeth University Hospital, the largest hospital in Europe; and a £32 million unique Imaging Centre of Excellence,



incorporating the UK's first 7 Tesla (ultra-high resolution) MRI scanner on a clinical site. Precision Medicine will transform medicine in the decades to come, dramatically improving outcomes for patients and transforming the healthcare system.

World changing global community

The University is rooted in the city of Glasgow while also enjoying global reach and reputation. Each year we welcome more than 4,000 international students from over 130 different countries and leading academics from around the world. Our staff represent more than 90 countries, and we have strong collaborative research links with leading international institutions such as Columbia University in New York, Nankai University in Tianjin City and McGill University in Montreal.

We support the talented minds capable of addressing global challenges through our participation in prestigious international networks such as Universitas 21, the International Research Universities Network and the Association of Commonwealth Universities. Our ever expanding global community allows us to contribute even further to making the discoveries and connections that help improve the world.

World changing campus

From its earliest beginnings the University has expanded its focus, evolving into an internationally renowned centre of learning and research excellence with expertise in the major fields of modern discovery.

But emerging global problems require new ways of working. We need to bring together the best minds of today and tomorrow within world-class facilities – large, flexible interdisciplinary research spaces that stimulate collaboration and innovation, and study spaces that offer the latest in technological infrastructure and connectivity – and we need to ensure that Glasgow remains an attractive and exciting destination for talented staff and students worldwide.

The University has purchased a 15 acre site adjoining our main campus. This provides a unique opportunity for us to re-shape our estate and provide modern, fit-for-purpose facilities in keeping with Glasgow's status as a world-leading research intensive university. Over the next five years, a £1 billion programme of investment will ensure the most significant development of our estate in over a century. It is an exciting opportunity for businesses, partners and donors to invest in people and to create a campus that will enable a future of world-class education, research and communities and ensure global impact.

Education overhaul aims to build a skilled national workforce

In January 2015, the Ministries of Higher Education and Education were merged to develop a unified strategy for educational development in the Kingdom. The move reflects the urgency being given to educational development by the Government, as well as the budget constraints on virtually all economic and social sectors in the Kingdom.

As a result, many more Saudi students are likely to be taught at home rather than abroad, as previously generous funds to study abroad are reduced with the exception to those attending one of the top 100 universities globally. An estimated 200,000 Saudis were studying abroad in 2015, whose tuition fees, medical insurance, living and travel expenses were all met by the King Abdullah Scholarship Fund. The emphasis is now on developing and reforming the Kingdom's domestic educational resources to nurture home grown talent.

According to Deputy Crown Prince Mohammed bin Salman, the Kingdom is striving to build "an education system aligned with market needs." This means that big investments are being made to prepare the country's young population with the education and skills needed by employers in a modern economy. This strategy is also necessary to reduce the Kingdom's reliance on foreign labour and increase opportunities for Saudis to be able to compete in the jobs market.

In May 2014, the late King Abdullah approved a Five Year Plan worth more than US$21.5 billion, to overhaul the Kingdom's education system. It includes the building of 1,500 nursery schools, the training of 25,000 teachers, and establishing educational centres and other related projects, according to Prince Khaled al-Faisal Al Saud, Governor of Mecca, who was Education Minister at the time.

Prince Khaled said the King Abdullah Project would bring about qualitative improvements in education, to benefit present and future generations. "It will improve the performance of teachers and the educational standard of children," he said. The Project's scope includes the provision of education through the private sector, linking schools with a broadband internet system, smart classrooms, computer systems for e-education needs, setting up specialised schools, the construction of new buildings, the renovation and maintenance of existing schools, and enhancing safety systems.

King Salman's administration continues to emphasise the importance of education in the country's development. Almost US$400 billion has been allocated to spending on education since 2005. The trend is continuing with the creation of a knowledge economy, one of the main objectives of the Kingdom's Tenth Development Plan.

While the Kingdom's 2016 budget shows sharp reductions in every area including education, where spending is to be reduced by 11%, the sector's US$51.1 billion budget allocation is the second highest and second only to defence and security.

Saudi Arabia's education system has gone through an astonishing transformation since the Kingdom was established in 1932, when education was available to very few people, mostly the children of wealthy families living in the major cities. Today, the Kingdom has universities, with more planned; some 30,000 schools; and a large number of colleges and other institutions. The system is open to all citizens, and provides students with free education, books and health services.

However, the system has weaknesses. There are concerns about the curriculum and its predominance of religion and languages, rather than science and mathematics. There are further issues over religion and humanities education and how the teaching of these subjects needs to reflect the Kingdom's desire to be open towards the world.

Another important issue is the quality of teaching. A report by the Centre for Universal Education at the Washington based Brookings Institution in 2014, noted that in Saudi Arabia many male students did not succeed in acquiring basic education after four years of primary school. Girls, however, fared better, with one third able to attain the basic requirements in education, representing the highest difference between boys and girls in the Arab world.

The desire for reform is opening increasing opportunities for foreign suppliers of educational services at all levels. Since around half the population is below the age of 25, DIT has identified opportunities across several education sectors including schools (K-12), higher education and professional as well as vocational training.

The four stages of formal education begin with primary schooling for six years from the age of six. All national primary schools are single sex day schools and in order to move on to intermediate education, children must pass the examination at the end of Grade 6 and obtain the Elementary Education Certificate.

Intermediate education lasts for three years, after which comes a further three years of secondary education. This offers students the opportunity for both general and specialised studies. Technical secondary institutes provide technical and vocational education and training programmes over three years, in the fields of industry, commerce and agriculture.

> Launched in 2012, the Colleges of Excellence project was heralded as a major change to how technical and vocational education is delivered in the Kingdom.

According to the Brookings Report, more than 95% of Saudi children are in schooling so the issue is one of improving curriculums and raising overall standards amongst the Kingdom's teaching staff. Education officials are particularly focused on improving Saudi students' performance in STEM subjects (science, technology, engineering and mathematics). Teachers' competency in English also needs improvement in order to instruct Saudi students who require proficiency in the language for many vocational diploma courses.

Saudi families possessing the required financial resources, often favour private education. The number of pupils at private schools is estimated to have grown by nearly 9% between 2008 and 2011, and by 2015, the number of privately educated pupils between infants and those aged 12 years, made up nearly 14% of the total.

Private education is also playing an increasing role at secondary school level, reflecting the potential for investments in a country that has such a young population. An estimated 75% of all school age children living in the Gulf Cooperation Council countries are located in the Kingdom.

The Dubai based GEMS Education Solutions, the largest private education provider in the region, is working with Kingdom Schools in Riyadh to provide an international curriculum at various boys and girls schools. For those seeking to go on to university, a solid grounding in STEM subjects is rapidly becoming a necessity for entry.

Higher education lasts four years in the field of Humanities and Social Science and five to six years in the field of Medicine, Pharmacy and Engineering. Following the establishment of the King Saud University in 1957, as a starting point for the country's modern higher education, there are now 28 state universities. These include Taibah, Al-Qassim and Ta'if Universities, which were established under the Seventh Development Plan from 2000 to 2005. They consist of colleges and departments which offer Diplomas and Bachelor's, Master's and PhD degrees in various scientific and humanity subjects.

King Faisal University in the Eastern Province dates from 1975, and offers a range of programmes including medicine and architecture. The Hofuf campus is noted for its agricultural and veterinary sciences courses. One of the most recent institutions is the Princess Nora bint

Abdulrahman University founded in 2007, which ranks as the largest university in the world for women with an enrollment of 52,000 undergraduate and graduate students.

The most recent QS University Rankings in the UK placed nine Saudi universities in the top 100 universities in the Middle East. The largest of the Kingdom’s institutions is King Abdulaziz University in Jeddah, which was founded in 1967 by a group of Saudi businessmen who believed in the importance of education for national development. The Kingdom’s oldest institution, King Saud University in Riyadh, has built up a reputation for its engineering and medical faculties.

According to Prince Saud bin Khalid Al Faisal, President of the National Competitiveness Centre, “We have an eye to the future and we want our graduates to be equipped with the tools and skills and the mindset to take our nation to the next level, thus attracting and sustaining foreign investment.”

As a result of the new strategy, the University of Hafr Al Batin, is to be formed from two branches of King Fahd University of Petroleum and Minerals. The University of Dammam is to support 12 satellite colleges in Al Olaya, Al Nasiriah and Al Khafji. Branches of King Khalid University in Bisha are to be merged to form Bisha University with further satellite colleges planned. The King Abdulaziz University branch in north Jeddah is to become Jeddah University, supporting 13 satellite colleges.

Abdelelah Saaty, Dean of the College of Business in Rabigh says that Saudi Arabia needs at least ten more universities within the next five years to meet the requirements of a growing population. He says that the new Jeddah University will help reduce pressure on King Abdulaziz University, which has 140,000 students.

University education for specific training in the workplace is a growing priority. This is leading to major investment in education and training programmes in order to nurture a skilled knowledge based local workforce.

The Technical and Vocational Training Corporation (TVTC) is the company responsible for building the training sector in Saudi Arabia by establishing PPPs with both foreign and local companies.

Under the Kingdom’s Colleges of Excellence project, international training providers are operating a range of vocational courses and building their own curriculums to be taught at facilities provided by the Saudi Government.

As a result of the programmes, significant business opportunities have arisen for foreign providers of educational services for the Kingdom’s Colleges of Excellence project.

Launched in 2012, the Colleges of Excellence project was heralded as a major change to how technical and vocational education is delivered in the Kingdom.

The project involves providers from several countries including the US, New Zealand, Germany and the UK.

In April 2014, UK education consortiums won contracts potentially valued at US$1.2 billion to establish 12 technical and vocational training colleges in Saudi Arabia as part of the Kingdom's Colleges of Excellence project, which aims to set up 100 colleges.

Hertvec, a consortium including Hertford Regional College, North Hertfordshire College and Saudi construction firm Samama Holdings, was awarded a five year contract in 2014, reportedly valued at US$315 million, to operate three of the planned colleges. The Oxford Partnership has been chosen to manage a cluster of three women's colleges in the north of the Kingdom, in the towns of Al Jouf, Arar and Qurayyat.

Each provider has been offered an initial five year contract to deliver vocational training and employment related skills to Saudi men and women. Of the 12 colleges to be operated by UK providers, seven will be for women. The aim is that some 24,000 Saudi students including 14,000 women will be trained each year once the colleges reach full capacity.

It is a very bold strategy that will need considerable perseverance and resources to succeed. The College of Excellence project aims to have trained more than 400,000 students by 2023, with an equal mix of men and women. The colleges offer a first year curriculum covering English and IT, followed by a two year diploma course in a specific vocational subject.

Despite all the challenges it faces in modernising its infrastructure and reforming its curriculum, the Saudi education system is changing. A well educated population is a clear priority for the Government, with its considerable ongoing financial commitment to this sector opening up significant opportunities for suppliers of educational services experienced in operating internationally.

Adapting the engineering realm

The University of Lincoln

Professor Chris Bingham

Introduction

Historic and dynamic, Lincoln is one of the world's great small cities, renowned for its striking fusion of old and new. It is one of the safest and friendliest university cities in the UK. Lincoln is just two hours from London by train and with good links to many other cities, airports, the Lincolnshire coast and countryside; it is the perfect location.

The University of Lincoln's award-winning city centre campus provides a modern, student-centred environment. Located on the picturesque Brayford Pool marina, everything you need is either on campus or a short walk away.

The University has spent £170 million on its campus in recent years, with a further £130 million planned in the next ten years on buildings and facilities. It really is an exciting time to be a student at the University of Lincoln!

Quick facts:

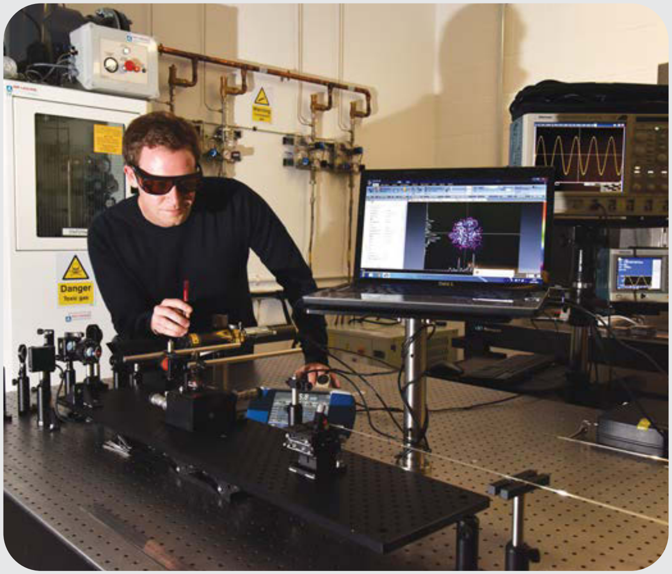
- A top 50 UK university (Complete University Guide, 2017).
- A top 10 modern university, according to The Times and Sunday Times Good University Guide 2016.
- The University of Lincoln ranks in the top 20 for graduate prospects in a number of subject areas in *The Times and Sunday Times Good University Guide 2016*.

Overview of the School of Engineering, University of Lincoln, UK

The School of Engineering at the University of Lincoln, combines modern Research & Development and Teaching facilities, with a research informed base and industrial links.

As the first new Engineering School in the UK for more than 20 years, it recognises the importance of engineering for the future of the UK economy, and students benefit from industry insider knowledge on innovative and exciting degree courses accredited by the Institution of Mechanical Engineers (IMechE).

As a principal partner of Siemens Industrial Turbomachinery Limited, Lincoln shares a vision with Siemens to produce graduates who are industry ready and academically excellent. Having transferred their Research and Development equipment to the School of Engineering hub at Lincoln, Siemens have also relocated their training team to the campus.



The School is already achieving a reputation for its innovative and pro-active approach to engagement with business, and for research excellence. Awards received include the Lord Stafford Award for Open Collaboration with Siemens (2011), IET (The Institute of Engineering and Technology) Team Award (highly commended) 2011 and 2010, and the IMechE Charles Sharp Beecher Prize 2010.

An Interview with Professor Chris Bingham, Head of the Power and Energy Group at the University of Lincoln, UK

Professor Bingham talks about Lincoln's pioneering engineering research. "I am very fortunate to work within the School of Engineering's Power and Energy Group where we conduct fundamental and applied research in all aspects of power and energy production, distribution and control. Our leading edge, high quality research provides a sustainable environment for the industrial energy and systems engineering sectors."

"As well as attracting significant interest in the UK and abroad, the School was highlighted as a best practice case study by the UK Government commissioned Wilson Review, Exploring Business-University Collaboration, and the engineering giant Siemens, named Lincoln a Global Principal Partner in 2014, in recognition of the wide ranging research collaborations across business sectors and our efforts in engaging graduate talent with Siemens."

Asked to give some detail about specific areas of research undertaken by the Power and Energy Group, Professor Bingham went on to say:

"A key focus for us is Bio-fuels and Combustion Research. This entails research and optimisation of fuel-air combustion processes for Institute of Civil Engineers (ICE) and gas turbines and Combined Heat and Power (CHP) systems to maximise the efficacy of integrated low and high-grade heat sources."

"Biomass is a low carbon resource which is finding increasing use in place of fossil fuels, and offers advantages over other energy harvesting sources such as wind and solar, since it can be stored and supplied on demand. More widely, the Power and Energy Group researches technologies to increase the efficiency and reduce the emissions of more traditional combustion technologies, and their optimal integration in CHP systems."

> As a principal partner of Siemens Industrial Turbomachinery Limited, Lincoln shares a vision with Siemens to produce graduates who are industry ready and academically excellent.

"Another key area for us is Remote Diagnostic and Prognostic Systems, where we have a demonstrable pedigree in developing intelligent remote monitoring algorithms for the early detection of failure modes in complex industrial systems. Developed techniques are being adopted for monitoring a global fleet of gas turbine systems."

"In an environment of increasing aircraft traffic at airports, rising costs and tighter environmental targets creating pressure to minimise fuel burn on the ground, the Power and Energy Group is undertaking pioneering research to optimise airport ground movement to increase capacity and reduce emissions."

"As a result of progressive climate change, the Research and Development of renewable energy systems and the design of more energy efficient traditional technology counterparts, is attracting significant attention for the efficient thermal control of buildings. Other industry sponsored research activity is focused on the miniaturisation of heating/cooling, ventilation and air/water heating systems."

If you want to contact Professor Bingham at the University of Lincoln, UK, Email: cbingham@lincoln.ac.uk | Tel: +44 (0)1522 837912.

Research areas within the University of Lincoln, UK's Power and Energy Group:-

- Electric and Hybrid Vehicles
- Fluid Dynamics for Aerospace & Marine Systems
- Novel Internal Combustion Engine Design
- Combustion Analysis and Design
- Electrical Machines and Drives
- High Efficiency Energy Conversion
- Power Electronics
- Highly distributed power control for refrigeration systems
- High-speed shaft balancing technologies
- Energy Systems Management
- Complex System Optimisation
- Power Systems Architecture
- Vehicle Drive by Wire
- Monitoring, Prognostics and Diagnostics
- Multi-Objective Genetic Algorithms
- Industrial Applications of Advanced & Intelligent Control
- Renewable Energy Systems

Manufacturing and industry ventures offer huge potential

Saudi Arabia's economy may be under strain as a result of lower crude oil prices but remains by far the largest in the Arab world, accounting for more than half of the entire region's economic output. At the end of 2015, it's GDP was US$753.8 billion, the 20th largest in the world, having tripled since 2004. In addition it has accumulated huge financial reserves and is well able to continue its ambitious investment programme for several years to come.

Saudi Arabian General Investment Authority's (SAGIA) Governor, Abdulattif Al-Othman, says that the country's public debt of 5.8% of GDP compares favourably with the three fastest growing economies of China, India and Indonesia, which average 34% of GDP.

Diversification is a key feature of the industrial strategy, as the Kingdom strives to reduce its dependence of the dominant oil & gas sector and at the same time, seeks to create sustainable employment opportunities for the young and growing population.

New petrochemical projects and the mining and processing of phosphates and bauxite are also opening fresh opportunities for secondary industries based on the processing of natural resources.

Initial steps towards diversification began 40 years ago with the creation of the Saudi Arabian Basic Industries Corporation (SABIC). The Corporation is 70% owned by the Government and 30% by shareholders from the six member countries of the Gulf Cooperation Council (GCC). SABIC quickly became the backbone of industrialisation. By 1994, it had 15 major plants in operation with annual production of 13 million tonnes of intermediate chemicals, polymers, plastics, industrial gases, fertilisers, and other materials including steel. This figure had risen to 69.7 million tonnes by 2014, with revenues of more than US$50 billion.

Since 1976, dozens of major ventures have been established which utilise natural gas and gas liquids to manufacture the products for a

> Given the UK's role in the Kingdom's development to date, and the strength of ties, there is an established appreciation of the contribution which British business can make.

vast range of petrochemical materials. Jubail Industrial City on the Arabian Gulf, for example, has many factories and industrial facilities, including a desalination plant, a seaport, a vocational training institute and a college. Yanbu Industrial City on the Red Sea has a modern port, oil refineries, a petrochemical complex and many manufacturing and support enterprises.

The giant Jubail II project is creating an adjacent industrial city, designed to accommodate 100 new major plants, a 350,000 bpd oil refinery and an 800,000m^3 per day water desalination plant. Saudi Aramco, with the US' Dow Chemical Company, is building a US$20 billion petrochemicals plant in Jubail II, which will be the world's largest chemicals complex.

This joint venture incorporated, as the Sadara Chemical Company is building plants to produce a wide range of petrochemicals including ethylene, propylene glycol, polyurethanes and low-density polyethylene. These in turn will be used in the manufacture of consumer goods ranging from packaging, electronics, pipes and furniture. The chemicals complex is expected to create thousands of direct and indirect jobs and generate several downstream investments in associated sectors.

A further significant sector of diversification is aluminium production, which started in 2015, after the completion of one of the world's largest smelters at Ras Al Khair Industrial City, 90km north of Jubail. This has been built for a joint venture of the US' Alcoa and Saudi Arabian Mining Corporation (Ma'aden). The increasing output of petrochemicals products and now aluminium is seen as encouraging development of secondary industries including carmakers, who are increasingly using aluminium rather than steel in building the bodywork of vehicles.

These new areas of production fit in with a policy which makes manufacturing the strategic choice and envisages a new phase of industrialisation with globally competitive new industries. The Ministry of Commerce has stated that these are to be "based on innovation and act as a major tool in transforming national resources into sustainable wealth." The target is to raise the contribution of manufacturing of Saudi GDP from 11% to 20% by 2020.

In its National Industrial Strategy 2020, published in 2010, the Ministry of Commerce and Industry recognised that the country has reached a crossroads. It faces a choice of either accepting its role as a wealthy oil based nation, which maintains its current organic growth

path with prosperity driven by its natural resources, or embraces the challenge of becoming a globally competitive economy by "leveraging the natural resource base to take the country to the next level of development."

Purpose built infrastructure to accommodate new manufacturing ventures is widely available. The Saudi Industrial Property Authority (MODON) was set up in 2001, as an independent public agency to supervise the establishment and management of industrial cities and technology zones, as well as the operation, maintenance and development of these cities in collaboration with the private sector.

MODON has set up 28 industrial estates throughout the Kingdom which accommodate around 3,000 factories, with investments of more than US$67 billion. It is expected that the number of these estates is set to rise to 40 over the next five years.

The emerging investment environment represents opportunity for British companies. Department for International Trade (DIT) describes the Kingdom as a high growth market with billions worth of major projects over the next 20 years, with opportunities in the construction, security, financial services and retail sectors. The UK is the second largest cumulative investors with some 200 joint ventures, estimated to be worth nearly US$16 billion. An estimated 6,000 UK companies are already exporting to Saudi Arabia, with goods and services valued at US$10 billion sold in 2014.

SAGIA maintains that the Kingdom is an exceptionally attractive place for international companies to establish business operations. Al-Othman points out that there is no income tax, no property tax or sales and value added tax. Corporate tax is 20%, while firms have the ability to carry losses forward indefinitely to offset future tax liabilities. In most sectors, there are no minimum capital requirements and there are no constraints on the repatriation of capital.

The industrial areas have many economic advantages and incentives to attract investors. Annual rent for land is as little as 25 cents per m^2. Loans of up to 75% of capital expenditure are available with repayment periods of up to 20 years. Customs duty exemptions for imported raw materials and equipment are also on offer.

Given the UK's role in the Kingdom's development to date, and the strength of ties, there is an established appreciation of the contribution which British business can make, as well the range of skills it can offer. There are no limits on foreign ownership of local business.

Development of mineral wealth is central to the Kingdom's diversification

Saudi Arabia's mineral wealth goes well beyond its vast oil & gas reserves. It possesses many precious, semi-precious and industrial ores and some of which are world-scale deposits including gold, copper and phosphates. Many of these sold mineral assets are still to be exploited. Such is the scale of this wealth that the Government, as part of its economic diversification strategy, plans to turn its fledgling mining industry into the "third pillar" of the economy after oil and petrochemicals.

From almost 50 identified minerals, there are at least 15 industrial minerals which could become commercially viable, with 1,273 sites of precious metals identified and 1,171 sites of non-precious. Minerals discovered include phosphate; bauxite, bentonite, copper, dolomite, expandable clay, feldspar and nepheline syenite, garnet, gold, zinc, granite, graphite, gypsum, tantalum, high grade silica sand, kaolinitic clays, limestone, magnesium, marble, olivine, pozzolan, rock wool, silver and zeolites.

To achieve its "third pillar" goal, some US$12 billion has been allocated for mining and mineral development in the period until 2020. The comprehensive investment programme encompasses the creation of industries for extracting and processing the minerals, developing the transportation infrastructure to make them accessible for processing, and streamlining procedures for the export of minerals and mineral derived products.

Aside from the mineral endowment and planned industrial projects, a number of other characteristics have given a comparative advantage in the mining industry. The most important among these include the availability of low cost feedstock, sulphur and ammonia in the Jubail area, and the easy access to world markets via a network of eight ports, some of them among the largest in the region.

Central to the delivery of its targets, is the Saudi Arabian Mining Company (Ma'aden), which was established in 1997, to act as a catalyst for private investment in the mining sector. Now semi-privatised, it was charged with turning Government owned projects into commercial ventures, and has implemented an ambitious exploration and mineral exploitation programme, focused on the establishment of infrastructure services at the mining sites, including water, electricity,

> Saudi Arabia's mineral wealth goes well beyond its vast oil & gas reserves. It possesses many precious, semi-precious and industrial ores.

telecoms and transportation. At the same time, it has worked to establish strategic partnerships with the private sector in order to develop the sector from the exploration stage to the mining and processing stages.

Ma'aden's activities were originally focused on expanding its active gold business, which now includes five mines and over 11 million ounces of gold resources at operational and exploration sites. An additional mine has recently started operations. It said that initial commercial production had started at the company's Ad Duwayhi gold mine. The mine is said to have reserves of 1.9 billion ounces and is expected to produce 180,000 ounces a year with output reaching full capacity by the end of 2016.

The company has now broadened its activities beyond gold, with the development of Ma'aden Phosphate Company, which started production in 2011. Today it comprises four key units: Gold and Base Metals; Phosphate; Aluminium; and Industrial Minerals, which include magnesite, kaolin and low grade bauxite.

Due to its vast size, a key challenge in developing its mineral wealth has been the upgrading of transport infrastructure, which is essential to move large quantities of ore to processing plants and shipping terminals. One key element in this process is the new North-South Railway (NSR), a 2,400km rail route connecting the Al-Jalamid phosphate mine, via Al Zabirah, to Riyadh, and then on to the port of Jubail.

Within the new Economic Cities programme, the US$8 billion Prince Abdulaziz bin Musaed Economic City at Ha'il in the northern region, is to be developed in order to exploit local mineral deposits and build new industries to add value to the extracted ores.

Another major urban development in support of the mining industry is the planned Waad Al-Shamal Industrial City in the north. Major new industrial projects will concentrate on phosphate production.

The US' General Electric has been awarded a US$1 billion contract to design and build gas turbines for a 1,390MW power plant to be

completed by 2019. The overall project is expected to see Ma'aden become a significant player in the global minerals industry.

Agreements valued at US$9 billion to develop industrial infrastructure at Waad Al-Shamal were announced in 2014. Amongst these, was an agreement between Ma'aden, the Canadian company SNC Lavalin and Chinese Sinopec, to establish a sulphuric acid plant in the city. Another deal saw Ma'aden agree a contract with China's Huanqiu Contracting & Engineering Corp. to build an ore beneficiation plant.

As part of the Waad Al-Shamal launch, Ma'aden also signed an agreement with South Korea's Hanwha Engineering & Construction Co. to build a phosphoric acid plant at a cost of US$930 million. It also signed a US$825 million deal with Daelim Industrial Company to set up an ammonia plant, and US$600 million deal with Spanish company Intecsa Industrial, to establish a phosphoric fertiliser plant, an official statement said.

Ma'aden had previously awarded two major contracts for development of Waad Al-Shamal Industrial City; one for a general engineering plan and infrastructure services and the second for providing engineering designs and management services for a phosphate project. The first contract was awarded to Bechtel Company, which will prepare the general engineering plan of the City including basic, downstream and support industries. It will also carry out plans for commercial, housing and educational facilities. The second contract was awarded to Jacobs Company, which will provide engineering designs and management services.

Ma'aden reached another milestone in its development, with the announcement of contracts to supply more than 300,000 tonnes of aluminium in 2014, to a range of customers in Asia, following earlier supply agreements covering 50,000 tonnes, made with domestic and Turkish customers. "Together, these supply agreements not only meet a significant portion of Asian demand, but they also represent an important milestone in our journey to becoming a world-class minerals enterprise", said Ma'aden Aluminium Vice President, Khalid Al Luhaidan. "Ma'aden has arrived as a global primary aluminium supplier".

Defence spending set to continue at a high level

Saudi Arabia's 2016 budget announced by the Ministry of Finance on 28 December 2015, shows the allocation for military and security services reduced by 31% to US$57 billion from US$82 billion the previous year. However, the figure does not necessarily reflect the whole picture.

Despite the headline decrease in expenditure, authoritative analysts such as IHS Jane's, say that particular elements of the security services will be heavily supported from elsewhere in the budget. These elements include the Ministry of Interior, which is responsible for border security, the National Guard, General Intelligence Directorate and Saudi Royal Guard Regiment.

The Kingdom's focus on military capability has increased as a result of its involvement in the protracted conflict in neighbouring Yemen. This has seen fighting extend into the Kingdom's border area near northern Yemen, with assaults experienced in the Saudi provinces of Jazan and Najran.

The nation's armed forces are now engaged in a major expeditionary role in Yemen as part of a nine country coalition engaged in Operation Restoring Hope.

Saudi Arabia and the UAE are the leading members of the military coalition, comprising mainly Arab countries, which has intervened in Yemen's civil war. The coalition is drawing heavily on the Kingdom's military capabilities, especially its air force.

The Royal Saudi Air Force (RSAF) has played a conspicuous role causing a rapid depletion of munitions which has prompted the UK to divert some of its Paveway precision-guided bombs to build up Saudi stocks. Saudi Arabia has also sought further supplies of Patriot missiles and equipment from the US and in July 2015, requested the sale of 600 PAC-3 missiles and other items to modernise and replenish its existing stockpiles.

In view of regional tensions, Saudi Arabia has spent heavily over many years to make its armed forces among the best equipped in the Middle East and beyond. Its air force is on a par with NATO countries and possesses nearly 30% more combat aircraft than the UK's RAF.

At the end of 2015, the Saudi armed forces totalled 124,500 personnel, in addition to a National Guard of 100,000 and paramilitary forces of 24,500, according to the International Institute for Strategic Studies (IISS).

Nevertheless, Saudi Arabia is heavily dependent on other countries for its military equipment, with almost all sourced from foreign suppliers mainly in Europe and North America. This includes services provided within the Kingdom to supply technical support, training and maintenance.

The cost of this procurement is huge given the vast territory and maritime coastline, which needs to be protected. As a result of this priority, Saudi defence spending remains the third largest in the world after the US and China. This means that the Kingdom's defence requirements continue to represent a major opportunity for UK business. This is particularly the case for companies willing to engage in the technology transfer that the Saudi Government is increasingly demanding.

Participation and the promotion of investments in industrial projects by foreign contractors as part of defence deals, is not new but now the authorities want firms to take part specifically in military equipment manufacturing ventures.

Officials want production lines to be built in the Kingdom to offset the huge amounts spent on foreign manufactured armaments.

Saudi Arabia's determination to boost Saudi based defence industries was emphasised in the Kingdom's "Vision 2030" plan revealed by Deputy Crown Prince Mohammed Bin Salman in Riyadh on 25 April 2016. The plan emphasises greater self-sufficiency in the economy including the military procurement sector.

The declared aim is "to manufacture half of the military needs within the Kingdom to create more job opportunities for citizens, and keep more resources in our country, to localise over 50% of military equipment spending by 2030."

The process will involve new suppliers required to work with local Saudi companies in order to secure contracts. According to Prince Salman: "From now on the Ministry of Defence and other security and military agencies will only place a contract with a foreign supplier if it is linked to a local industry."

Prince Mohammed also said the Kingdom was proceeding to restructure several existing military contracts linking them to a Saudi industry.

Up to the present, almost all military equipment and services have been sourced from abroad, and the strength of the UK's relationship with the Kingdom has ensured that much of the equipment supplied is British.

In February 2014, BAE Systems, the UK's major defence manufacturer and a long time supplier of equipment to Saudi Arabia, announced that it had concluded price negotiations on a key deal to supply up to 48 additional Typhoon fighter aircraft to the Saudi Royal Air Force.

It represents an extension of a deal, known as the Al Salam project, first arranged eight years ago. The initial US$6.8 billion contract, which guaranteed at least a decade's work for the BAE plants at Warton and Samlesbury in Northwest England, is for the supply of 72 Typhoon aircraft, with more than half having been delivered so far. As a result of this deal and the prior Al Yamamah contract to provide Tornado fighter bombers to the Kingdom, several thousand BAE employees are working in Saudi.

Al-Salam is the latest example of the Saudi Government's extensive spending programme to upgrade and enhance its defensive capabilities on the land, sea and air. This programme has also included the largest foreign arms deal in US history, a US$60 billion order for new and upgraded aircraft weapon systems announced in 2010, and formalised in 2012.

Under the terms of this deal, the RSAF is buying 84 new F-15 fighters from Boeing, and upgrading another 70 F-15s already in service. It also includes more than 100 helicopters for the Saudi Arabian National Guard, Army and Royal Guard. These include 70 AH-64D Apache Longbow attack helicopters built by Boeing, 72 Sikorsky UH-60M Black Hawk utility helicopters, 36 AH-6 Little Bird armed reconnaissance helicopters also made by Boeing and 12 MD-530Fs.

In order to maintain a pool of trained pilots to fly these new combat aircraft, another contract was signed in November of 2012, under the Saudi-British Defence Cooperation Programme (SBDCP) for the delivery of 22 Hawk trainer aircraft and 55 Pilatus PC-21 aircraft, in addition to a variety of ground based training devices also provided by BAE Systems. That US$2.5 billion deal is an upgrade from a previous SBDCP deal that supplied the RSAF with 50 Hawk Mk.65s and 50 Pilatus PC-9s which was in addition to the Al-Salam deal for the 72 Eurofighter Typhoons.

Talks on providing a second tranche of around 48 Typhoon jets have been underway with BAE Systems, the UK Government and the Saudis for several years. Speaking at the Paris Air Show in June 2015, Stephen Phipson, Head of UK's Defence & Security Organisation said that despite delays in agreeing a contract, the Saudi Government remained committed to the programme.

Phipson said that the Typhoons already in service with the Saudi Air Force and the accompanying support by industry contractors and the British Ministry of Defence, had earned high marks from the Saudis during missions it has been conducting in Yemen and against Islamic State targets in the Middle East.

BAE Systems' long standing strategic relationship with Saudi Arabia is a vital part of company income. In its annual results released in

February 2016, BAE singled out "increased aircraft deliveries to Saudi Arabia and sales from the trading of equipment on the European Typhoon programme", for providing a US$1.1 billion revenue boost. The company's present contract to supply Typhoon fighters involves payment on an aircraft by aircraft delivery basis. Twelve of the fighters were delivered to the Kingdom in 2015.

Besides upgrading its Air Force, the Government is also looking to strengthen its ground forces through a US$10 billion order placed in 2014, with General Dynamics Land Systems of Canada, for the supply of armoured personnel carriers.

Local presence is an increasingly important aspect of these multibillion dollar arms deals, which are drawn up to also include elements which serve to further the country's economic and educational interests. As a result of the Economic Offset Programme (EOP), many of these major weapons system transactions are subject to reciprocal agreements, or offsets, to mitigate the substantial costs of the deal.

The offset is quantified using a separate set of criteria for each deal, generally by employing a credit and multiplier system in which the Saudi Government can encourage specific types of offsets, direct investment or knowledge transfer, for example. Overseen by the Economic Offset Committee, the programme applies to all defence contracts in excess of US$106.6 million, with contractors responsible for providing offsets equal to 35% of the contract value.

In over 30 years of existence, the EOP has created dozens of new companies, which employ thousands of workers across a wide range of industries, such as aerospace, energy, electronics, ICT, medicine and medical supplies, chemicals and petrochemicals, and education and training.

Examples of successful private sector Saudi companies, created through EOP, include Al-Salam Aircraft Company (AAC), Advanced Electronics, Aircraft Accessories and Components, the Middle East Propulsion Company (MEPC), and the software and systems integration company, International Systems Engineering.

AAC and the MEPC, are among the most successful examples of what these partnerships can achieve. AAC was established in 1988, as a joint venture between Boeing, Saudi Arabian Airlines and the Saudi Advanced Industries Company, and has expanded over the past three decades to a company employing 3,500 people, more than half of them Saudi nationals in aircraft maintenance, repair and overhaul.

While its primary business is derived from servicing military aircraft, the company has branched out into more civilian operations and has signed maintenance contracts with Saudi Aramco for its C-130 transport planes, as well as with Syrian Air and Air Atlanta Icelandic, for Boeing 747 airliners. Among military contracts it has won major deals with the RSAF for the maintenance of its C-130 transporters and its F-15 fighters.

MEPC too has built a successful business, working primarily for the RSAF in maintaining engines. Current contracts include maintaining the F100-PW-220/220E engines made by Pratt & Whitney, which power the F-15 fighters as well as the RB199 engines used in the RSAF's Tornado aircraft.

There have been reports that Saudi Arabia intends to launch a state-owned military holding company by the first quarter of 2017, to oversee development of its planned domestic armaments industry.

The increasing demands being made on Saudi military forces is added stimulus to the development of a home grown defence industry. Small arms and ammunition have been in production locally for some time and the manufacture of military vehicles is now beginning to broaden. The Abdullah Al-Faris Company for Heavy Industries, based in Dammam, manufactures the Al-Fahd Infantry Fighting Vehicle and the Al-Faris 8-200 Armoured Personnel Carrier. The company also produces the Ashibl 1 and Ashibl 2 armoured vehicles for the Royal Saudi Land Forces and the Kingdom's exclusive Special Operations units.

However, the base is still relatively small. The Vision 2030 document, says that while the Kingdom is the world's third largest defence spender, its local military industries consist of just seven companies and two research centres. The aim is for defence production to expand to "higher value and more complex equipment such as military aircraft." The requirement for advanced technology is also growing.

The widening scope of Saudi Arabia's defence requirements is illustrated in the Kingdom's border security, another key area of further defensive capability. Both the southern and northern borders of the Kingdom require constant monitoring. Tough border security measures are always in place. Besides fences and CCTV, there is also the use of Unmanned Aerial Vehicles (UAVs) and an increase in border controls as well as listening devices.

There is also a vigorous network of defences in the Kingdom which protects infrastructure, hydrocarbon facilities and pipelines. The Ministry of Interior provides the bulk of land based solutions and the Royal Saudi Navy conducts sea based protection. Protection of oil installations is critical and is undertaken by special petroleum police units.

Triple force protection and increasing intelligence, surveillance, and reconnaissance are robust. The Royal Saudi Navy, along with the Saudi Coast Guard, for their parts, are protecting the waters around the

Kingdom including seaport security. Their activities help prevent contraband shipments and any potential armed attacks on shipping.

Saudi Arabia is also placing an emphasis on developing cyber security. The National Centre for Electronic Security (NCES) was established under the Ministry of Interior. Spending on cyber security is expected to reach US$33 billion by 2018. According to Andy Carr, CEO of BAE Systems Saudi Arabia, "the opportunities in cyber are enormous, both in the defence and commercial sectors.

For the newest aircraft additions to the Kingdom's military, the Saudis are seeking a contractor to build their computer network defence capabilities, to ensure full and protected support of the F-15s and other aircraft. The Saudis have also announced their intention to build a new Secure Communications Facility and a Cyber Security Operations Centre.

Expanding Saudi retail sector offers multiple opportunities

Shopping is a national pastime throughout the Middle East and especially in Saudi Arabia, where the noticeable difference is the relatively high level of disposable income. This is shown in the volume of luxury items, household goods and consumer electronics purchased by customers in the Kingdom.

For UK and other international retailers, the country represents a dynamic and fast developing market opportunity, with its young population increasingly keen to use its significant spending power to buy quality branded products in a modern retailing environment.

Clothing and footwear are in high demand at all price levels and a forecast by Euromonitor International, predicts that sales will rise by 60% over the next five years to some US$17.6 billion.

The last five years have seen considerable expansion by key Saudi retailers including the Fawaz Alhokair Group, Abdullah Al Othaim Group, Jarir, Savola, United Electronics, Al Jammaz, Azizia Panda and Bin Dawood among others.

Saudi Arabia's retail market is ranked eighth in the world among 30 emerging markets, according to the A.T. Kearney's 2016 Global Retail Index. According to the report, like-for-like retail sales increased by 6.4% in 2015, to reach US$96.3 billion.

Factors behind the growth in the retail market, noted in the latest sector report by Business Monitor International (BMI), include strong economic growth, rising disposable incomes, an increasing acceptance of the concept of modern retailing, an enlarged consumer base created by the improved position of women in society, and increased opportunities for Saudi workers.

Despite experiencing a 15% decline in GDP in 2015, due to lower oil revenues, retail fundamentals remain strong. Investors believe that the Kingdom has massive untapped potential as a retail destination. In addition, it is visited by more than 12 million religious tourists each year, driving the need for tailored offerings catering to an important, diverse consumer group.

As well as their attraction to global fashion brands, consumers are also big purchasers of the latest handheld devices and computer equipment. Leading office stationery and consumer electronics Jarir Marketing Company, which markets Apple products among others, expects to increase its number of stores from 36 to 60 by 2018.

The number of high income consumers as well as mid-tier earners, with rising disposable incomes over recent years has stimulated sales of luxury items. This has encouraged leading names such as Burberry, Prada and Tiffany & Company to establish a retail presence in recent years.

UK firms are well established in Jeddah and Riyadh and many other areas of the Kingdom. Names such Debenhams, Mothercare, Dorothy

Perkins, Next and Topshop are now as familiar to Saudis as they are to British purchasers. Qatar's Al Mana Group runs stores for Zara, Harvey Nichols and Mango.

Foreign apparel companies have been required to have a local partner with majority ownership, so this has helped the growth of large Saudi companies who distribute for several brands, including Fawaz Abdulaziz Alhokair Group and Al Bandar Trading. However, in September 2015, the Government announced policy changes to allow single-brand retailers 100% foreign ownership in retail and wholesale operations.

Alhokair Group has a capitalisation of some US$6 billion and is a franchisee for over 80 international brands such as Marks and Spencer, Zara, Gap and Aldo. It is the leading Saudi mid range fashion retailer and has expanded its presence from 910 stores in 2011, to 2,100 in 2015.

Tesco has announced it will expand its F&F fashion line in the Middle East with 19 outlets, in partnership with Fawaz Abdulaziz Alhokair Group. Globe Group, meanwhile, has opened stores for Italian brands Furla and Liu Jo in Jeddah.

The amount of available retail space in Riyadh is expected to expand by 45% over the next three years to two million m^2, while the amount of shop space for lease, will grow up to 20% in other major cities, according to the property analyst Jones Lang LaSalle.

Arabian Centres, the largest owner and operator of malls, opened the Yasmin Mall in Jeddah in March 2016. It accommodates 210 outlets, entertainment and restaurant areas. It is the eighteenth it has developed in the country, with further facilities in various stages of development including the Mall of Arabia in Riyadh.

Foreign entities such as Abu Dhabi's Lulu Hypermarket and Dubai's Landmark Group have also been making headway. Shopping malls providing a wide variety of competitively priced foreign and domestically manufactured merchandise are a big attraction.

Majid Al Futtaim, which currently operates 74 stores, expects to quadruple its count in Saudi Arabia to 300 in the next five years, retailing its international clothing and sportswear franchises. The UAE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> As well as their attraction to global fashion brands, consumers are also big purchasers of the latest handheld devices and computer equipment.

based conglomerate is developing projects costed at US$3.7 billion to build what will constitute two of Riyadh's main retail outlets, the Mall of Saudi and City Centre Ishbiliyah.

With a young population and a high birth rate of around 500,000 a year, three quarters of the population is aged under 30, which is prime buying territory according to David Macadam, CEO of the Middle East Council of Shopping Centres. Saudis want to acquire; they want to take advantage of the recreational opportunities malls present; they want to socialise and create homes, he notes.

"Despite its unique challenges, Saudi Arabia remains an exciting retailing opportunity", says Macadam, who is also Head of Jones Lang LaSalle's Retail Team in MENA. "Retailers across the spectrum are looking to enter this market to cater to a large and growing domestic demand, driven by its sizeable young population. "Those retailers and retail centres that can create a uniquely Saudi experience will be the ultimate winners, as they will be able to fully capitalise on the market potential and increasing levels of spending power available to the Kingdom's consumers. With the market becoming more competitive, consumers and retailers have a greater choice and centres must continue to evolve to match consumer demand or face becoming obsolete."

Another factor likely to have an impact on the sector is the Government's decision to reduce the number of expatriates in the workforce. This can provide more than 700,000 jobs for Saudis. At the same time, the costs of hiring Saudis are less than for expat workers. One significant factor favouring the retail sector is increased employment rates, particularly for women.

British firms have good reasons to explore the Kingdom's retail market prospects. Marks & Spencer is a UK company which has expanded rapidly in a short time within the market, with some 24 stores established and a further seven due. The company's products have proved successful says Mark Koprowski, the company's Middle East Regional Director. He says that Saudi Arabia is now one of the company's highest grossing emerging markets.

Kingdom's digital transformation boosts ICT market

The ICT market is the largest in the Middle East. Driven by strong domestic demand for smart phones, the market is likely to grow substantially in the future. It is also being powered by the growing investment by businesses and industries in high-speed networks and by the Government's determination to press ahead with building digital services.

Hussein Ahmed, Emerging Markets Analyst at the US based Pyramid Research company, says that Saudi Arabia continues to evolve towards a truly digital economy, demonstrating to the region the benefits of investing in the telecoms sector. It is moving ahead with digital economy developments. In particular, it is streamlining business procedures, resulting in praise from the World Bank, which has acknowledged its efforts in implementing business reforms such as electronic filing and new payment systems.

According to Pyramid, the annual growth of the telecoms market will average 3% a year reaching US$18.7 billion by 2019. Consumers upgrading handheld devices to access internet services will continue to boost the mobile telecoms sector. However, the ICT market still has supply gaps. As the largest IT market in the region, for example, it is still relatively undeveloped when it comes to cloud services.

"Saudi Arabia represents a considerable revenue opportunity for local, regional and global service providers, as a growing number of end users will turn to cloud services to optimise their IT operations from a cost and efficiency perspective," according to International Data Corporation (IDC).

Another fast emerging area is data protection. Government departments and commercial operations are increasingly vulnerable to online attacks. Most of these aim to deny users the means of operating their systems or to deface websites. In Saudi Arabia major companies have suffered, for example in August 2012, Saudi Aramco was the target of a huge malware attack infecting tens of thousands of its computers, its website and email system.

Since then, there has been growing investment in security technologies to secure vulnerable public utilities and other critical networks. IDC expects security considerations to be a key component of digital strategies, as a growing number of companies look to implement various advanced security solutions including multi-factor authentication and access management, real-time policy enforcement and analytics-based monitoring.

India based 6WResearch, forecasts that Saudi Arabia's electronic security market will have a compound annual growth rate of 14.4% over the next five years. In recent years video surveillance has accounted for the largest amount of market revenues followed by access control and intrusion detection systems. However, a wider demand from commercial users, the financial and retail sectors is likely to drive demand in the future.

BMI says it expects overall IT spending will grow at a CAGR of 1.9% to 2020, to reach US$11.7 billion. The services market is expected to be particularly strong as companies seek cost efficiencies. It says that this could be reflected in the oil & gas sector also, where lower crude prices could prove a catalyst for a new wave of investment in smart solutions to increase flexibility in order to raise productivity levels.

In addition, Government departments notably in the health and education fields, are focusing on adopting digital technologies with significant demand for web-based and mobile services.

In 2014, the parent company of Al Hammadi Hospitals, signed an agreement with the US' Cisco and India's Wipro, to launch three smart hospitals as part of a US$24 million commitment to offer premium healthcare services. Many other public and private healthcare institutions are also investing in new technologies to improve efficiency and patient care, underlining the growing importance of the healthcare sector to the country's IT market.

In order to drive ICT literacy, the King Abdullah bin Abdulaziz Public Education Development Project (Tatweer), is seeking to achieve comprehensive educational development across all public schools. With a budget of US$2.4 billion, a principal aim is to enhance education at all levels by integrating technology into the curriculum and equip classrooms with modern digital technologies. Under the programme, teachers are given training in computer applications to increase digital literacy and confidence.

The Saudi Ministry of Education, has overseen the deployment of more than 3,000 IT labs for all secondary schools including the supply of around 51,000 PCs, 2,300 IT labs for intermediate and elementary schools and more than 2,000 Learning Resource Centres.

The decision to implement a liberalisation of the telecoms sector, has proved to be a crucial element in advancing ICT. In 2002, Saudi Arabia opened its telecoms market to competition, ending the monopoly held by the state run, and now partially privatised, Saudi Telecom Company (STC). The sector has been growing steadily ever since, with the number of internet users estimated by the World Bank at nearly 20 million, and the total number of mobile subscribers estimated by industry researchers at around 53 million, representing almost two subscriptions per head of population.

> Demand for mobile internet is pushing the telecoms market forward in parallel with Government support for high-technology digital projects.

As the telecoms market has been opened up to competition, the principal challenger to STC has been UAE based Etihad Etisalat, who's brand name Mobily have developed into the second largest mobile service provider. Both its shares and those of STC are listed on the stock market.

The award of Mobile Virtual Network Operator (MVNO) licences by the Communications and Information Technology Commission (CITC), the Saudi telecoms regulator, has brought further significant competition to a mobile market dominated by STC, Mobily and Zain.

As a result, Virgin Mobile Saudi Arabia and Lebara have launched MVNO services, paying fees to operate through the infrastructure owned by other operators. A MVNO provides wireless communications but does not own the frequency spectrum or infrastructure through which it supplies services. Major infrastructure includes the Saudi National Fibre Network (SNFN), a 12,800km network linking 35 Saudi cities.

By October 2015, after just one year of business, Virgin Mobile Saudi Arabia had acquired one million customers. Virgin Mobile is operating through STC's infrastructure, while Lebara is operating via Mobily's system.

Demand for mobile internet is pushing the telecoms market forward in parallel with Government support for high-technology digital projects. The latest communications technologies are expected to feature increasingly in major cities and particularly in the development of new communities such as King Abdullah Economic City.

As a result, operators are investing in upgrading network infrastructure and systems to handle growing data traffic volumes. The requirement in the short term is for swift deployment of fibre connectivity which is in high demand areas such as Riyadh, Jeddah, Mecca, Medina and Al-Ahsa.

Several venture capital funds have already launched in the country, including Alkhabeer Capital, Mobily Ventures, STC Ventures and the King Abdullah University of Science and Technology's Innovation Fund. Meanwhile, the market entries of Virgin Mobile and Lebara are expected to add a fresh impetus to the mobile market with new promotions for data and voice services.

Bringing it all together

BT Al Saudia

With a local presence is Saudi Arabia since 1989, we go where our customers go and expand alongside their businesses.

Who we are

BT Global Services is a global leader in managed networked IT services, operating across more than 170 countries and delivering locally to help companies thrive in a changing world.

While delivering the mission critical networked and IT services which support our customers' core operations, we unlock the hidden value in our customers' organisations as they address the key challenges of today's global marketplace.

BT has been successful in proactively supporting the development of its major multinational customers in and around the globe and is helping the expansion of fast growing regional companies and telecommunication service providers.

What we do

BT supplies a core set of networked IT services such as managed global IP networks, unified communication and convergence services, managed security and risk resilience services, managed call centre services, managed data centre services, satellite services and ICT outsourcing and sector-specific professional services.

Our ability to combine global strength - in networks, IT and innovation - with local presence, expertise and local delivery is key to our promise.

BT is supporting ABB, a world leader in power and automation, in the transformation and management of its global communications infrastructure across Europe, the Americas, Africa, the Middle East and Asia Pacific. ABB will also benefit from improved application performance and additional IT security.

The services are covered by a global contract designed to improve collaboration, innovation and business transformation for ABB in more than 100 countries. As part of a major transformation project, ABB required a single global partner to provide, standardise and manage network related services around the world. "The alignment with BT will enable us to move to a globally-consistent, high quality network" says Andy Tidd, Chief Information Officer, ABB.

Why BT?

BT Global Services has been serving customers in the Middle East and North Africa region (MENA) for more than 30 years. Dubai was established as our sales and technical support hub for MENA, a region stretching from Morocco through Turkey to Pakistan, whilst Istanbul became one of BT's centre of excellence for managed satellite services. Over the years, BT's operations in the region have grown steadily adding new capabilities and opening Dubai Customer Innovation Showcase as well as EBTIC, BT's Innovation Centre in Abu Dhabi in partnership with Etisalat and Khalifa University.

In the Kingdom of Saudi Arabia, BT operates through BT Al Saudia, a joint venture with HRH Prince Dr. Abdulaziz bin Sattam bin Abdulaziz Al Saud and the key partner to BT's strategy in the region.

BT Al Saudia is also one of the leading System Integrators in the Kingdom offering the full range, from network services (Wan, WLan, Lan), unified communications (video and converged infrastructure, managed Services), data centres (on premise or from the cloud, private

or hybrid) and security services all supported by our professional services team in country.

With more than 25 years of experience in the local market, our team of experts and professionals provide an end-to-end capability to serve our customers in the most effective and efficient way possible.

BT is working with Etihad Airways to virtualise its global contact centres. The partnership has enhanced the airline's guest experience by reducing call waiting times, introducing new servicing capabilities, and providing services in 15 languages.

Based on a Cisco platform, the cloud-based contact centre solution, BT Cloud Contact Cisco, is enabling Etihad Airways to seamlessly route calls from 40 countries to any one of 450 multilingual agents available across its three contact centres in Abu Dhabi and Al Ain in the UAE, and Manchester in the UK.

Peter Baumgartner, Etihad Airways' Chief Commercial Officer, said: "We are always searching for new ways to raise the guest experience bar and this intelligent, reliable technology will help us achieve that by making a significant difference to our contact centre management. With this agile, innovative solution, our contact centre teams can now efficiently manage inbound traffic and virtualise resources. It helps us work smartly, but importantly, it supports the company's rapid global growth with an increased focus on the guest."

Our Cloud Services Integrator vision will help you deliver stunning business outcomes

The possibilities provided by cloud services can't be realised unless people, wherever they are in the world, are connected.

At BT, we use the power of our network to bring people and information together to use the opportunities of the digital economy. We are continually investing to be the Cloud Services Integrator of choice for organisations who want to make the most of the cloud to be successful, fast, agile and secure.

In 2014, BT extended its Cloud Compute service to Saudi Arabia to help customers reap the benefits of cloud computing and meet regulatory demands.

We know it isn't just about the technology, it's the possibilities we create that matter.

Our customers are using communications to develop new products and services which shape how we live today. We're creating new ways of doing business for tomorrow.

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Saudi Arabia embraces a new railway age

One hundred years after the famous Hejaz railway connecting Baghdad to Medina was abandoned, Saudi Arabia is entering a new transportation era with a strategy which envisages a national rail network of more than 10,000km, to be installed over the next 30 years.

According to Faisal Bafarat, Executive Director for Investment Development at the Saudi Arabian General Investment Authority (SAGIA), up to US$140 billion is due to be spent on national railway projects in addition to metro schemes in Riyadh, Jeddah, Mecca and Medina.

This represents a significant shift in transport policy. For more than half a century since the Kingdom's oil boom started, transport development has focused almost exclusively on roads with 60,000km of new highways built. Highway improvement projects continue, but the focus for transport improvement is increasingly on railway development, which in such a vast country is considered long overdue.

Until 2015, just one rail track had been built to link Eastern Province with the capital. The line was built in the 1970s to connect the port of Dammam with an inland container dry port near Riyadh. While some additional minor spur lines were constructed, and the railway later provided passenger services, further rail development plans lay dormant for 30 years until the decision was made for a new North South Railway (NSR) line. This was to connect the Kingdom's Gulf coast with mining projects in the north.

The main track of the NSR, which will eventually extend over 2,750km, is completed and expected to be fully operational in 2017. Trial runs of freight trains have been underway for the last 18 months. The line is designed to transport phosphate from Al-Jalamid in the phosphate belt in the north and bauxite mined in Al Zabirah and Al Baitha for refining at Ras Al-Khair on the Kingdom's Gulf. The line is also now being expanded to provide passenger and other freight services.

The NSR provides a link from Al-Haditha near the Jordanian border to Saudi ports on the Arabian Gulf and to Riyadh. In 2015, a UK group comprising Serco, Freightliner Group and Network Rail Consulting were awarded a contract to provide managerial and technical support for the planned development of passenger and freight services on the NSR.

Given its strategic economic importance, the NSR has taken priority over the other rail projects. Once it has been completed, the transportation of phosphate and bauxite mined in the northern region, should make Saudi Arabia one of the top global mineral exporters.

A 576km section connecting Al Zabirah to Ras Al-Khair was built by the Saudi Binladin Group and a number of sub-contractors including Germany's Rail.One group, who supplied 600,000 sleepers for the track. Another section now completed, is a 440km section from Al Zabirah junction to the middle of the Al Nafud desert, constructed by a joint venture of the China Railway 18th Bureau Group and Al Suwaiket Co.

The 750km section, from the middle of Al Nafud to Al-Jalamid and Al-Haditha was completed by a consortium of Barclay Mowlem of Australia, Mitsui of Japan, and Al Rashed of Saudi Arabia. Six passenger stations on the section between Riyadh and Al-Qassim are being developed.

With much track already completed, the European Train Control System (ETCS) is being installed and tested by Thales and the Saudi Binladin Group. It is likely to be the longest route to adopt the ETCS to date. ElectroMotive Diesel is supplying the diesel locomotives to pull freight wagons supplied by China's South Locomotive and Rolling Stock Industry Corporation.

After the NSR is fully operational attention may focus on a second huge rail venture, the Landbridge Project, linking the Gulf and the Red Sea and involving the construction of almost 1,000km of new track between Riyadh and Jeddah.

Costing an estimated US$7 billion, the Landbridge Project represents the first rail link between the Red Sea and the Gulf. The project, involves 115km of new track between Dammam and Jubail and the upgrading of the existing link between Riyadh and Dammam.

Amongst other functions, it will allow the transporting of containers to and from King Abdulaziz Port in Dammam and Jeddah Islamic Port. This will create a valuable and time effective link for raw materials and manufactured goods between Europe and North America on one side and East and South Asia on the other.

> Saudi Arabia is entering a new transportation era with a strategy which envisages a national rail network of more than 10,000km, to be installed over the next 30 years.

The railway was originally planned to be developed through a PPP which would offer a Build, Operate and Transfer (BOT) concession. This proposal did not progress and the Government has indicated it intends to develop the line as a state funded project, financed by the Public Investment Fund (PIF).

In January 2013, US contractor, Fluor Corporation, won a US$72 million, seven year management contract and Italy's state railway engineering consultancy Italferr, were also awarded a design contract for the project, which was extended in 2015 for a further 20 months.

To complete the list of major rail schemes within the Kingdom, is the Haramain High Speed Rail (HSR) project, which is also known as Western Railway. This will provide a link between Jeddah and the Holy cities of Mecca and Medina. HSR is designed to offer safe and comfortable means of transport for Hajj pilgrims, arriving via Jeddah and will be operated using 320kmph electric trains. The project is well advanced and the line is due to become operational in 2017.

The project is managed by UK based Scott Wilson Group. The civil engineering works were completed by the Al Rajhi Alliance, which includes the Mada Group, Bouygues, Al Arrab Contracting, Arup and the China Railway Engineering Corp.

Engineering design is by Foster & Partners and Buro Happold, with Siemens supplying ETCS equipment for the project. Stations at Medina and Mecca are being constructed by the Saudi Binladin Group, whilst the Jeddah and King Abdullah Economic City stations are being constructed by Saudi Oger. Rolling stock will be provided by the Saudi-Spanish Al Shoula Consortium, while operations and maintenance for 12 years after completion will be undertaken by Spanish company Indra and Al Shoula Consortium.

In addition to these long distance routes, the railway expansion programme also includes plans for the development of new, metro systems in Riyadh, Mecca and Jeddah.

The first line of the Mecca Mass Transit scheme opened in 2010, after construction by China Railway Construction Corp. Four further lines are being built, with AECOM being appointed Project Manager in April 2013, and Al Balad Al Ameen Company appointed as Technical Consultants. The scheme is expected to be comprised of 88 stations and involve the construction of more than 180km of track with completion scheduled for 2023.

In Riyadh, a US$23 billion metro involves the development of six lines and is being built by three consortiums. The group charged with building lines four, five and six involves seven companies. These are the Netherland's Strukton, Spain's FCC and Tyrsa, France's Setec and Alstom, South Korea's Samsung and the UK's Atkins.

The overall project involves a total of 176km of track, 85 stations, and five major interchanges being built by the various consortiums. There will also be 25 park and ride sites, linked bus routes and six maintenance depots. The system will have an initial capacity of 1.4 million journeys per day, but with the capacity for that to eventually increase to 3.6 million journeys per day.

A third major metro project is planned for Jeddah. It will comprise a 149km network with around 18km of underground railway in the centre of the city. The promoter of the project, Jeddah Metro Company (JMC), is a joint venture of the Jeddah Municipality and the Jeddah Urban Development Company, and will implement the project.

JMC aims to find companies to work with which can ensure the new system is fully integrated with other forms of transport, such as overland rail lines and bus networks within the city. In July 2015, JMC invited initial expressions of interest to provide civil works for the project which involves building four lines and extensive tunneling work. Interest has also been invited from groups to design, build and supply trains and rolling stock for the planned light railway lines and a tram line due to be built along the city's corniche.

In July 2014, France's Systra was awarded a US$74 million consultancy contract for the engineering design, while the UK's Foster & Partners has an US$80 million award to supply a design concept and architectural services for the venture. According to Osama bin Ibrahim Abdouh, JMC's CEO, each construction contract will include five to six consultancy contracts and indicated that the initial budget of US$12 billion envisaged for the project, could be revised upwards.

Another ambitious rail scheme is the Saudi-Bahrain Railway Bridge to be constructed parallel to the existing King Fahd Causeway road link between the two Kingdoms. It is projected to cost US$10 billion. The Saudi railway network will also link into Qatar via a new causeway and into the UAE as part of the GCC railway plan.

Ports expansion aims to enhance Saudi Arabia's role in global trade

Saudi Arabia's transportation strategy has a heavy emphasis on port development. This involves expansion of existing facilities and the building of entirely new ports.

Despite a reduction in world oil prices, the volume of crude production has not diminished and oil exports remain at a high level. Saudi seaports serve the largest economy in the Middle East and receive 70% of export and import freight.

The total quantity of goods, other than crude oil, handled by Saudi Arabia's nine major commercial and industrial ports, reached 233 million tonnes in 2015, compared to 210 million tonnes the previous year. Port revenues in 2015, rose to US$1.2 billion, an increase of 9.2% over 2014.

The upward trend continues. A recent report by Business Monitor International (BMI), forecasts that throughput volumes at Saudi Arabia's main ports during 2016, will increase as a result of substantial fuel exports and the import of manufactured goods.

The continuing expansion of ports infrastructure reflects a combination of economic growth based on the Kingdom's key strategic location as a hub for international trade and the most diversified economy in the Middle East, and its status as the world's principal oil exporting country.

As the Saudi Government looks to invest up to US$10 billion in development of its port infrastructure over the next decade, there will be increasing scope for UK companies in many areas. In particular, the use of Build Operate Transfer (BOT) as a means of funding new facilities, gives opportunities for provision of legal services and other support functions, including port planning and development consultancy, port security, equipment supply, and port operation contracts.

Responsibility for overseeing the country's ports is in the hands of the Saudi Ports Authority, which has managed a process of privatisation since 1997, by which it began passing responsibility for port management, operation and maintenance to the private sector. The Saudi Ports are now fully managed and operated on a commercial

basis, with the Ports Authority retaining its supervisory role. The new King Abdullah Port (KAP) is the first major maritime facility to be also fully owned and operated by the private sector.

There are nine principal ports in Saudi Arabia, of which five, Dhiba, Yanbu Commercial Port, Yanbu Industrial Port, Jeddah and Jazan are located on the Red Sea coast, with the other four, Ras Al-Khair, Jubail Industrial Port, Jubail Commercial Port and Dammam, sited on the Arabian Gulf.

More than half of Saudi Arabia's sea traffic passes through the Islamic Port of Jeddah, one of the main ports in the Middle East, which is also a significant entry point for pilgrims. New port facilities at Yanbu Industrial City on the Red Sea, have eased Jeddah's load and improved the efficiency of petrochemical exports.

An investment of US$510 million has been spent on developing Jeddah Islamic Port's (JIP) Red Sea Gateway Terminal. This has provided handling capacity for an additional 1.8 million Twenty Foot Equivalent Units (TEUs) a year. However, Jeddah, which handles 6.5 million TEUs annually, has constraints landside, with severe traffic congestion. Such considerations have encouraged the development of KAP, that has been built to support the nearby King Abdullah Economic City.

In Eastern Province, King Fahd Port at Dammam is also undergoing expansion, with more than US$750 million being invested, including US$535 million for container terminal capacity expansion and US$215 million for other facilities. Its second terminal opened in 2015, doubling the port's capacity to handle three million TEUs a year.

This much needed capacity reflects the port's strategic importance, as the only Saudi port with a rail link which connects the city and docks directly to nearby industrial complexes. The new terminal is operated for the state-owned Ports Authority by Saudi Global Ports Company, a joint venture of PSA International and the Saudi Public Investment Fund.

The expansion of ports also reflects the estimate that more than 80% of the growth in exports over the next 15 years will be linked to mineral fuels as well as chemicals, plastics and gas.

At Yanbu on the Red Sea coast, plans were unveiled in Spring 2014, for the construction of a major new shipyard, as part of a huge expansion set to be completed by 2019, together with a US$1.8 billion minerals hub, according to a report in Seatrade magazine. The minerals distribution hub is aimed at mining companies investing in Africa, who will be targeted to use the Yanbu hub for their international distribution.

> As the Saudi Government looks to invest up to US$10 billion in development of its port infrastructure over the next decade, there will be increasing scope for UK companies in many areas.

This development at Yanbu, reflects a growing realisation of the importance of its strategic location and the significance of its Red Sea ports on the world's main shipping lane. Like other Saudi Red Sea ports, Yanbu is ideally situated on the route between Colombo and Suez, lying 300km north of Jeddah Islamic Port, the Kingdom's principal cargo gateway.

Yanbu's two ports have a total capacity of 190 million tonnes a year, and seven terminals with 24 berths, while the water depth allows them to handle the largest vessels in the world. Yanbu Industrial City has invested US$40 billion to date in petrochemicals, refining and desalination, and expects to see a further US$21 billion of spending on new downstream hydrocarbons projects together with the minerals hub by 2020.

Meanwhile, Jubail Chemicals Storage and Services Company (JCSSC) is building storage tanks and related port facilities over a 220,000m^2 site at Jubail's King Fahd Industrial Port, which it will also manage. JCSSC is a joint venture of the Netherlands Royal Vopak and Saudi Basic Industries Corporation. The new facilities are to be merged with a 348,000m^2 tank farm built to support Sadara Chemical Company's US$20 billion complex under development in Jubail's second Industrial City.

Elsewhere, other proposed port developments include a new container terminal, at a cost of US$46 million to be built at Dhiba Port on the northern Red Sea coast.

Observers believe that there are also investment opportunities to construct at least one world-class ship repair yard on the Red Sea coast, a waterway which is transited by 25,000 merchant vessels a year and which currently rely on maintenance facilities provided by two older ports at Suez and Jeddah.

Another maritime entry point at Al-Lith, 230km south of Jeddah, is expected to ease pressure on JIP and focus on general cargo and livestock carrying vessels diverted from Jeddah Port. It would also act as a roll-on roll-off port.

New ports development is a major feature of the programme to develop the new Economic Cities, a key element in the country's attempts to attract FDI to diversify the economy. The strategy includes plans for a major new port at Jazan on the south-west Red Sea coast.

The US$10 billion plan would also provide ship building and repair facilities. The development is part of plans for Jazan Economic City and will accommodate the export of refined petroleum products and solid minerals.

The main focus is on the development of King Abdullah Port (KAP), which is set to be completed by 2019, when the port's total capacity is expected to reach ten million TEUs.

KAP, built near Rabigh on the western coast, is modern and has been built to serve the new King Abdullah Economic City (KAEC) being developed nearby. The project has involved excavating two huge basin areas and the port now ranks as the country's second largest maritime hub after JIP

The first phase of the KAP project was completed in 2013, and provided an initial capacity to handle four million TEUs a year.

The north quay of the south basin is 3km long and the south quay is being built to a length of 2km. A draft of 18m makes KAEC a deep sea port able to accommodate the largest Ultra Large Container Vessels (ULCVs). In October 2015, the world's largest container ship, the 192,200 tonne MSC Maya which can carry 19,200 TEUs, docked at the port.

With its strategic location on the Red Sea and instant access to key cities, the KAP is seen as acting as a hub for onward movement of goods to Europe, Africa, Asia, and beyond. It will have an integrated transport system, with easy transfer from sea to rail, road and air, making it a gateway to the Central and Eastern Provinces as well as the entire Kingdom.

KAP is managed by Ports Development Company, which is a joint venture between Saudi Binladen Group and Emaar the Economic City, an associate of Dubai's mega property developer Emaar.

While KAP is only operating a fraction of its available capacity at present, its potential is already recognised within the global shipping industry, with Maersk Line and Mediterranean Shipping Company, both members of the 2M Alliance, moving ships into the port on a regular basis. Abdullah Hameedadin, KAP's Managing Director, says the long term aim of the new port is to move 20 million TEUs a year. This throughput would rival Dubai's Jebel Ali port, the largest container port in the Middle East, and other major world-class ports such as Thailand's Laem Chabang.

Specific investments in expanding maritime facilities, and in projects such as the Saudi Landbridge, the east-west rail project linking Riyadh with JIP and the North-South Railway, coupled with strong economic growth on the back of large oil receipts, will continue to boost freight volumes over the medium and long term.

In April 2014, Italian railway consultancy Italferr, in conjunction with Arab Consulting Engineering Centre, won the design contract from the Saudi Railway Organisation for the Landbridge railway project, to link the Red Sea coast of the Kingdom with the Arabian Gulf.

The 950km link is designed to drastically reduce transit times between Saudi's Gulf and Red Sea ports. The estimated US$7 billion project to shorten freight travel times between Dammam and Jeddah, will include the upgrading of the existing Dammam to Riyadh line and, when complete, freight will take just 18 hours to travel between the ports, compared to a current sea journey taking between five and seven days.

At the core of Saudi transportation planning, is the intention to provide an inter-modal network which connects inland dry ports and maritime ports with a vastly expanded national road and rail system. It is an ambitious strategy which will develop new routes and facilitate the expansion of regional and global trading volumes in the decades ahead.

Privatisation strategy is at the core of aviation development

A major privatisation programme has been launched by the Saudi General Authority of Civil Aviation (GACA). This involves restructuring the Kingdom's airports into fully owned subsidiaries of a holding company, a move designed to open up more opportunities for the private sector to participate in the aviation industry, according to Faisal Al-Sugair, Chairman of the Saudi Civil Aviation Holding Company.

The privatisation process was boosted in February 2016, with the award of a contract to the international arm of Ireland's airports operator, Dublin Airport Authority International, to manage the new Terminal Five at Riyadh's King Khalid International Airport (KKIA). Most of KKIA's operations are due to be privatised. In order to accelerate this, the airport's management is to be remodelled as a corporate structure during 2016, according to GACA.

Prince Mohammed Bin Abdulaziz International Airport (PMIA) in Medina, which opened a new US$1.2 billion terminal in 2015, is already being run on a Build Operate Transfer (BOT) model. This consortium led by Turkey's TAV Airports has a 25 year concession to manage the airport with GACA retaining ownership of infrastructure and air traffic control operations.

Speaking at a press conference in Riyadh on 5th January 2016, Mr Sugair said that privatising Riyadh's KKIA was due to begin in the first quarter of 2016, leading to the private sector taking over responsibility for technical services at the airport. The privatisation of Jeddah's King Abdulaziz International Airport (KAIA) and Dammam's King Fahd International Airport (KFIA) is due to take place in 2017, while other regional and domestic airports will be privatised in groups through 2018 to 2020, he said.

The objective of the privatisation strategy is to improve the efficiency of the Kingdom's aviation sector, as new airport capacity is being developed to meet growing passenger numbers and cargo volumes.

Major investment is being made to upgrade and develop the network of airports across the vast Kingdom, and currently comprising four international airports at Jeddah, Riyadh, Dammam and Medina and 23 regional airports catering principally for domestic traffic. The work to develop and modernise the Kingdom's airports is predicted to be completed within the next five years.

Saudi Arabia will soon have its fifth international airport, with Al-Ahsa Airport set to compete for Bahraini and Qatari traffic, according to Arab

News. Al-Ahsa, which currently sees only a handful of flights per week, was given international status by the GACA in 2011, and has since been subject to a major upgrading, with the provision of immigration and customs controls, expanded aircraft parking facilities and a new terminal.

Al-Ahsa is in the city of Al-Hofuf in Eastern Province, so is close to Bahrain and Qatar, as well as the UAE, although it is less than two hours from the existing international airport at Dammam. Much of Al-Ahsa's new traffic is expected to come from the huge Ghawar oilfield nearby, which is the world's largest conventional oilfield and brings around 300,000 expatriates to the area. At present some 50% of passengers using Dammam's KFIA and 17% using Bahrain Airport are travelling to or from the Al-Hofuf area.

In order to facilitate domestic air travel, GACA has designated Ha'il Airport as a northern hub and is due to connect with the Kingdom's other northern airports. A further hub is also due to be selected to link the Kingdom's southern airports. An additional hub dedicated to freight traffic is also under consideration.

The number of passengers at Al Jouf airport is expected to soar from 451,000 in 2015 to one million, following its expansion. Arar airport will increase from 1,810m^2 to 7,560m^2, while capacity will grow from 100,000 to 518,000 passengers. A three year US$394 million contract was awarded in June 2015 for expansion of Prince Naif Airport in Al-Qassim, where capacity will double from the existing 750,000 to 1.5 million passengers. Abha Regional Airport will grow eight fold in two phases.

To deal with the rapid increase in demand for domestic air travel, GACA has approved a fourth Saudi operator, Saudi Gulf Airlines, who will be based in the east coast city of Dammam and offer domestic services before expanding internationally. Flynas Airlines, the Kingdom's first budget airline, is already operating in the Kingdom, while other carriers including, Al-Maha hold preliminary operating licences.

Among the four existing international airports, long term expansion plans at King Abdulaziz International Airport in Jeddah, will raise its annual passenger capacity to more than 30 million. Meanwhile, capacity at KKIA in Riyadh will rise to 35 million per year after the opening of its fifth terminal. In terms of area, KFIA located in Dammam is the largest airport in the world.

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KKIA, which opened in 1983, lies 35km north of Riyadh, and was designed by the international architectural firm HOK, with the Arabian Bechtel Company acting as Construction Manager on behalf of the Saudi Government. It comprises four passenger terminals (only three of which are in use) with eight aero-bridges each, a mosque, and parking for 11,600 vehicles.

Terminals 1 and 2 are used for international flights, Terminal 3 for domestic flights and Terminal 4 is being refurbished as part of the current development programme. The airport also boasts a Royal Terminal for visiting Heads of State as well as Saudi Royal family use, one of the world's tallest central control towers and two parallel runways, which are each 4,260m long. In all, the airport covers an area of 316km^2, making it amongst the largest in the world.

KKIA, which is managed by Frankfurt Airport managers, Fraport AG, has experienced a steady increase in passengers during the last decade. In 1998, it handled slightly over eight million passengers, by 2003, this figure had almost doubled to more than 14 million. In 2014, the airport handled 20.1 million passengers, an 8.2% increase on 2013.

The initial US$800 million phase of expansion, to take annual passenger capacity to 25 million, was mainly completed in 2015. Further expansion plans, which will raise annual passenger capacity to 35 million, include construction of a new fifth terminal and the completion of Terminal 4, which has not previously been used. In the first major investment at the airport since its opening 30 years ago, it will also be connected to Riyadh's new metro system, giving passengers quicker and more comfortable access to the city centre.

The masterplan for KKIA envisages an eventual increase in capacity to around 40 million passengers by 2038, and forms part of a broader aim to make Saudi Arabia a major aviation gateway for both domestic and international travel. Together with expansion at Dammam and Jeddah, it is part of a plan to raise the combined capacity of the Kingdom's airports to 140 million passengers per year.

On an even grander scale than those at Riyadh, are the expansion plans for the Kingdom's busiest international airport, KAIA in Jeddah. Here an US$11.3 billion expansion programme aims to increase airport

capacity from 16 million to 80 million passengers per year in three phases by 2035, making it one of the largest airports in the world in terms of both capacity and area. Once completed, the airport will cover a total area of 115km^2, including a 6.5km^2 airport city, incorporating restaurants, hotels, shops and other facilities.

The now completed first phase of KAIA's expansion, which increases capacity to 30 million passengers a year, includes a runway extension to enable the handling of Airbus A380 aircraft, 46 new gates, a new air traffic control tower and an air cargo village with capacity to handle 1.5 million tonnes of cargo a year, rising to three million tonnes by the end of the third phase. Statistics produced by the GACA show that KAIA handled 28 million passengers in 2014.

Dammam's KFIA, the third most important in the Kingdom, is also the subject of a major investment programme, due for completion by 2018. A number of projects are currently underway to develop the airport's infrastructure, including its data network, flight system and modernisation of the arrival and departure lounges. In addition, its cargo village became operational in April 2015, following the signing of contracts.

GACA statistics show that KFIA handled 8.2 million passengers in 2014, a 12% increase on 2013. A masterplan for KFIA aims to increase passenger handling capacity of the airport to 16 million per year by 2038, involving expansion of the terminal and other facilities to meet international requirements.

At the fourth of Saudi Arabia's existing international airports, PMIA at Medina, GACA signed an agreement with the International Financial Corporation (IFC) in 2009, for an expansion plan that aims to raise the airport to international standards and to handle rising numbers of pilgrim passengers. It was an IFC recommendation that the airport be developed through a PPP.

GACA has also appointed Netherlands Airport Consultants (NACO) to develop masterplans and functional terminal concepts for 13 of its regional and domestic airports. NACO will be responsible for establishing technical and strategic guidelines, aiming to improve and expand Saudi Arabia's airport system for the next 30 years. The consultants are carrying out environmental analyses, financial economic analyses and examining methods to increase non-aeronautical revenues, through the development of airport commercial areas.

Tourism sector set for major expansion

For many people the concept of tourism development in Saudi Arabia may seem unconventional, given the conservative norms of society and restrictions on entry to most people with the exception of religious pilgrims. However, the reality is more nuanced.

Given the Government's wish to encourage more of its citizens to take their vacation in the country, it is clear that there is huge potential to develop a substantial tourism sector. When the arrival of business visitors and the many millions of expatriates employed in the country are also taken into account, the potential for a tourism industry is even more pronounced.

At present, the contribution of travel and tourism to Saudi Arabia's GDP is relatively low, at around 2.5% and contributes much less income than in other Gulf countries such as the UAE and Qatar, and far less than Mediterranean countries with highly developed tourism facilities.

In addition to its revenue generating possibilities, tourism is considered a priority with its huge employment potential for Saudi nationals in the sector. Prince Sultan bin Salman, who heads the Saudi Commission for Tourism and National Heritage (SCTNH), has said that tourism is one of the most promising industries for "creating real, meaningful, long lasting jobs that Saudis like to do."

In 2015, around 245,000 Saudis were employed in the sector. The aim is to create 370,000 additional jobs for nationals in tourism and the national heritage sector by 2020, when the sector will then be employing up to 1.2 million people.

The Vision 2030 blueprint, calls for coastal areas, particularly on the Red Sea, to be developed for tourism as well as fresh investment in museums and historic sites of interest, to create attractions of the "highest international standards," says Deputy Crown Prince, Prince Mohammed bin Salman.

SCTNH's Vice President for Marketing, Hamad Al Sheikh, says the market is developing fast and there is demand for improvement in the quality of services being provided which is putting pressure on the whole industry. According to Rashid Aboubacker, Associate Director at TRI Consulting in Dubai: "We expect that priority targets in the sector will include the expansion of tourism infrastructure in the country, training Saudis to participate in the sector's growth, and develop and upgrade tourism facilities across the Kingdom."

This demand is attracting major international hotel groups to develop and expand throughout the Kingdom, and more than 17,000 hotel rooms are currently under construction, significantly more than in any neighbouring Gulf state.

Around 47,000 rooms from 124 hotels across various market segments from local and international brands, are under development according to the Rotenburg Germany based Top Hotel Projects. Most of these new facilities are due to come on stream by the end of 2021.

Hotels scheduled to open in 2016, include the Ritz-Carlton in Jeddah, Kempinski Al Othman Hotel in Al-Khobar and Nobu Hotel in Riyadh.

Riyadh alone has 42 hotel projects scheduled, while Jeddah has 31 hotels under construction, which will provide 7,000 additional rooms. Hilton Worldwide is one of the main developers, with ten hotels operating and a further 28 properties due to be opened. The group announced in March 2014, that it was adding the city of Al-Ahsa to its Saudi Arabian portfolio, following a signing agreement with the Al Jazeera Group.

The London based Millenium & Copthorne Hotels plc is to open two hotels in Mecca in 2017. The hotel group, in partnership with Al Rajhi Investments, has recently opened four hotels in Medina and has plans to commission another 20 by 2020. Al Rajhi's CEO, Khalid Saud Abuhaimed, says that Saudi Arabia is witnessing an increase in demand from religious tourists looking for hotels with international hospitality standards. The hotel group is focusing on primary cities such as Riyadh, Jeddah, Mecca and Medina and will also include second tier cities such as Ha'il, Jazan and Al Bahah.

Rotana Hotel Management Corporation, is opening six new hotels providing a total of 1,500 rooms, in Riyadh, Jeddah, Al Khobar and Dammam.

France's Accor Hotels is to develop 15 apartment hotels in partnership with the Saudi based Alesayi Group over the next five years. They are to be built in Riyadh, Medina and Jazan. Accor's Regional Director, Jean-Jacques Dessors, says the Kingdom is a key market for the company in the Middle East. Accor already has 15 hotels operating there and another 32 properties are in various stages of development in the country.

The main element in the hospitality industry is catering for the needs of the millions of pilgrims arriving each year to perform Hajj following Ramadan, as well as the many more religious visitors who arrive throughout the year to perform the lesser pilgrimage known as Umrah. The World Bank put the number of tourist arrivals in the Kingdom at around 18 million in 2014.

In the last decade, the number of visitors conducting the shorter pilgrimage has tripled, to reach eight million a year. The Government expects that by developing hotels and other facilities, particularly in Mecca, the number of Umrah pilgrims can rise from eight million in 2015, to 15 million by 2020, and 30 million by 2030.

This requires a dramatic expansion of accommodation facilities which is reflected in the hotel developments underway in Mecca, including the US$3.5 billion Abraj Kudai project. This involves a hotel complex with 12 tower blocks providing 10,000 rooms. The development is funded by the Ministry of Finance and is due to be completed in 2017, in the Manafia area of the city, south of the Holy Mosque.

Riyadh combines its role as a geographic and cultural hub with a great sense of tradition. Its historic Qasr Al-Hokm district has been carefully preserved and restored to form the city's cultural, commercial and social centre.

One of the highlights of Qasr Al-Hokm is the historic Masmak fortress, which King Abdulaziz recaptured in 1902, providing the foundation of the modern Kingdom of Saudi Arabia. Another highlight is the Murabba' Palace, a former home of King Abdulaziz, which has been renovated as part of the King Abdulaziz Historical Centre.

On the Red Sea the port of Jeddah, Saudi Arabia's second city, combines being a vibrant commercial centre with one which boasts more than 300 gardens and is home to one of the world's tallest fountains. There are a number of finely restored buildings within the city and its coastal location, near spectacular Red Sea coral reefs, making it a popular location for water sports.

In July 2016, Snow City opened in Riyadh. The project provides a series of small indoor ski slopes which give a novel experience for Saudis more used to soaring temperatures of more than 45°C in the summer months.

The complex also admits both men and women at the same time which is highly unusual in a country with strict segregation between sexes in almost all public spaces. The private venture by Al Othaim Leisure & Tourism Company, has received the approval of Government officials and was inaugurated by the Governor of Riyadh Province, Prince Faisal bin Bandar Al Saud.

Six Flags Entertainment Corporation's CEO, John Duffey, has outlined plans to build theme parks. This is in line with the Government's wish to provide more holiday and entertainment options to enhance domestic tourism.

However, officials recognise that more needs to be done to further strengthen the industry in terms of improving services and training Saudis on how to manage foreign tourists.

The Swiss Mövenpick group and France's Meridien, have built seaside resort hotels in and near Al Khobar. There is a vast swathe of coastline both on the Arabian Gulf and Red Sea open for investment. There are more than 1,100 islands lying off its Red Sea and Gulf coastlines surrounded by coral reefs, sandy white beaches and mangroves.

The Red Sea islands include the Farasan archipelago offshore, some 50km from the port city of Jazan. The three main islands of Farasan, Sajid and Muharraq have empty white sand beaches, rare coral reefs, nesting sea turtles and seabirds and some of the best scuba diving in the region but currently they provide only basic facilities and limited accommodation.

SCTNH envisages the islands becoming an attractive vacation area for Saudis and expatriates living in the Kingdom, as well as overseas tourists in the future. With this potential clientele base in mind, the aim is to encourage developers to build top-class hotels, spa's and other resort facilities.

Key Facts

Following the accession of King Salman to the throne in January 2015, Saudi Arabia is embarking on a series of major economic reforms designed to redefine the role of oil production and to reduce the role of the state as the main drivers of the Kingdom's economy.

Private sector involvement in the Kingdom's plans for economic development and diversification is crucially important. The country is keen to increase inward investment into its expanding industrial base and to secure international skills in the awarding of contracts for its major infrastructure spending, in areas such as construction, railways and healthcare.

The Saudi Cabinet has endorsed a sweeping set of reforms to be implemented by 2030, with the National Transformation Programme announced in April 2016, as the vehicle to prepare the Kingdom for a post-oil era. Major domestic reforms include a reduction in energy subsidies as well as raising additional sources of revenue such as through the introduction of a VAT.

The transition to a more market-based economy involves supporting the development of the private sector and facilitating the listing of Saudi private and state-owned enterprises on the Saudi Stock Exchange. It is recognised that this process will be challenging, but the economic growth and employment generation it promises to introduce, is designed to put the economy on a firmer foundation.

Local manufacturing is a particular focus and new enterprises in a range of sectors, including defence industries, are intended to meet 50% of the country's needs by 2020, from around one third at the moment.

As part of the strategy, the Kingdom is also keen to attract more investment in the country's still largely untapped mining sector. This involves reducing restrictions and obstacles to exploit huge non-oil mineral resources, including industrial ores and precious metals. The strategy is also designed to encourage the development of downstream processing and manufacturing industries based on the extracted minerals.

The Public Investment Fund (PIF) is to play a major part in the overhaul of the economy by extending its role in providing financial support to projects of strategic importance. The PIF is due to become the world's largest sovereign wealth fund, holding US$2 trillion of assets including Saudi Aramco and Saudi Basic Industries Corporation.

The aim is for the PIF to become an income-based investment fund and a significant player in global investment markets, with plans to raise foreign holdings to about half of the Fund's assets by 2020. Technically it will be these investments that could become the source of Government revenue, so that within 20 years, Saudi Arabia will have an economy which does not depend primarily on oil, according to Deputy Crown Prince Mohammed bin Salman Al Saud.

SAUDI ARABIA

Head of State and Prime Minister: King Salman bin Abdulaziz Al Saud (Acceded January 2015)

Crown Prince, First Deputy Prime Minister, Minister of Interior: HRH Prince Mohammed bin Nawaf bin Abdulaziz Al Saud

Last municipal elections: September 2011

Land Area: 2,149,690km^2

Coastline: 2,640km

Border countries: Iraq, Jordan, Kuwait, Oman, Qatar, UAE, Yemen

Provinces: Riyadh, Madinah, Mecca, Asir, Eastern, Tabuk, Al-Qassim, Al Jouf, Ha'il, Najran, Northern Borders, Jazan, Al Bahah

Capital: Riyadh

Total Population: 32 million (2016 estimate)

Main cities: Jeddah, Mecca, Medina, Dammam

Climate: Harsh, dry desert with great temperature extremes

Language: Arabic

Religion: Islam

Ethnic groups: Arab, Afro-Asian

Monetary unit: Saudi Riyals (SAR)

Natural resources: Petroleum, natural gas, iron ore, gold, copper

Main industries: Crude oil production, petroleum refining, basic petrochemicals, ammonia, industrial gases, sodium hydroxide (caustic soda), cement, fertiliser, plastics, metals, commercial ship repair, commercial aircraft repair, construction

Major exports: Petroleum and petroleum products

Main export trading countries: China (13.1%), Japan (10.9%), US (9.6%), India (9.6%), South Korea (8.5%)

Major imports: Machinery and equipment, foodstuffs, chemicals, motor vehicles, textiles

Main import trading countries: China (13.9%), US (12.6%), Germany (7.1%), South Korea (6.1%), India (4.5%), Japan (4.4%), UK (4.3%)

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Source: CIA Factbook

Featured Contacts

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Clements Worldwide: www.clements.com
Crowell & Moring: www.crowell.com

Department for International Trade (DIT): www.gov.uk

Fawaz Alhokair & Company: www.fawazalhokair.com

GlaxoSmithKline (GSK): www.gsk.com

Intertek: www.intertek.com

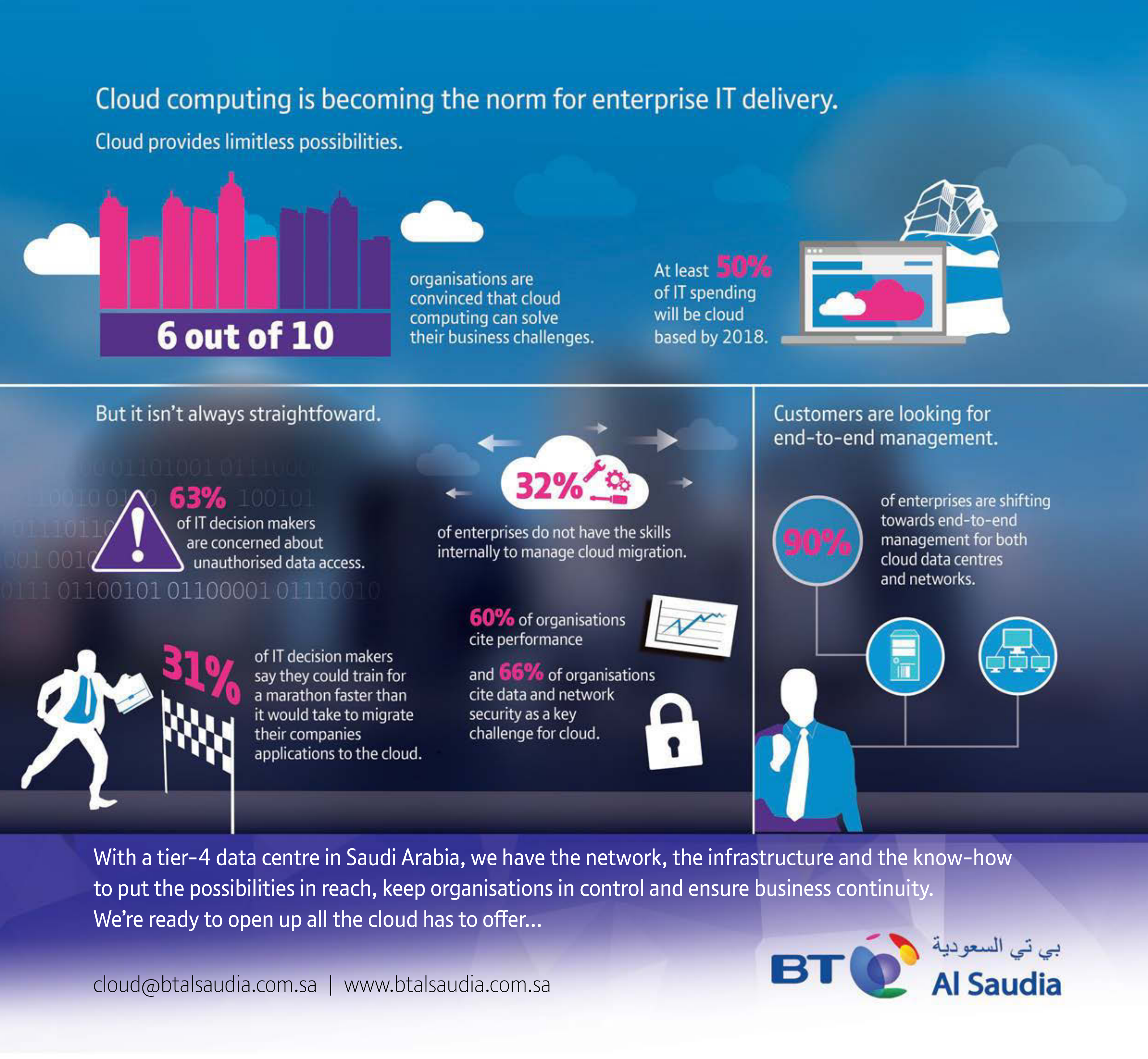
King & Wood Mallesons: www.kwm.com

Lincoln University: www.lincoln.ac.uk
LXL LLP: www.lawxl.com

Middle East Association: www.the-mea.co.uk

University of Glasgow: www.gla.ac.uk

Saudi British Bank (SABB): www.sabb.com
Saudi-British Joint Business Council: www.sbjbc.org
Saudi Committee for International Trade: www.saudibrit.com/cit


Cloud computing is becoming the norm for enterprise IT delivery.
Cloud provides limitless possibilities.
6 out of 10
organisations are convinced that cloud computing can solve their business challenges.
At least 50% of IT spending will be cloud based by 2018.
But it isn't always straightfoward.
63% of IT decision makers are concerned about unauthorised data access.
32%
of enterprises do not have the skills internally to manage cloud migration.
31% of IT decision makers say they could train for a marathon faster than it would take to migrate their companies applications to the cloud.
60% of organisations cite performance
and 66% of organisations cite data and network security as a key challenge for cloud.
Customers are looking for end-to-end management.
90% of enterprises are shifting towards end-to-end management for both cloud data centres and networks.
With a tier-4 data centre in Saudi Arabia, we have the network, the infrastructure and the know-how to put the possibilities in reach, keep organisations in control and ensure business continuity.
We're ready to open up all the cloud has to offer...
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BT
بي تي السعودية
Al Saudia